Austria	Sch. 18	Indonesia	Rp 2500	Portugal	Esc 80
Bahrain	Din 0.650	Italy	L 1300	S. Arabia	Rls 6.00
Belgium	BFr. 38	Japan	Y550	Singapore	S$ 4.10
Canada	C$2.00	Jordan	Fils 500	Spain	Pta 110
Cyprus	C£0.60	Kuwait	Fils 500	Sri Lanka	Rup 30
Denmark	Dkr 7.25	Lebanon	£t 6.00	Sweden	Skr 6.50
Egypt	E£1.00	Luxembourg	LFr 38	Switzerland	SFr 2.20
Finland	Fmk 6.00	Malaysia	Rm 4.25	Taiwan	NT $65
France	FFr. 6.00	Mexico	Pes. 300	Tunisia	Din 0.600
Germany	DM 2.20	Morocco	Dir 6.00	Turkey	L 210
Greece	Dr 70	Netherlands	Fl 2.50	U.A.E.	Dh 6.50
Hong Kong	HK$ 12	Norway	Nkr. 6.00	U.S.A.	$1.50
India	Rup. 15	Philippines	Pes. 20		

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,551 — Friday February 15 1985 — D 8523 B

IRI's back seat drivers try to take control, Page 12

World news

Warsaw Pact in troop cut proposal

The Warsaw Pact formally presented a proposal for the reduction of U.S. and Soviet troops in Central Europe aimed at breaking the deadlock in East-West talks being held in Vienna.

The proposal calls for an initial reduction of 20,000 troops by the Soviet Union and 13,000 by the U.S. within a year of agreement being reached.

This would be followed by a larger cut in Warsaw Pact and Nato forces to 900,000 troops on each side. A similar plan was put forward by the Warsaw Pact in 1983, but rejected by the West. **Page 2**

Vietnamese drive

Vietnamese troops were close to driving Khmer Rouge guerrillas from their strongholds near Phnom Malai mountain in western Kampuchea, Thailand said. **Page 3**

EEC Spain plan

The European Commission has tabled new proposals aimed at clearing the last obstacles to Spain's entry into the EEC. The package covers outstanding aspects of agreement on fishing, agriculture and social affairs and comes as doubts grow about whether the January 1, 1986 entry date can be met. **Page 2**

Israeli attack

French UN troops fought with their fists against Israeli soldiers who stormed a Shia Moslem village in southern Lebanon and bulldozed villagers' homes. **Page 3**

Arsonists blamed

Arsonists were blamed for a fire which killed at least 27 people in a Manila hotel. Hoteliers said they would seek military help to tighten security after a note claiming responsibility for the fire was sent to several news agencies.

Greek warning

Greece renewed a warning that it would stop Spain and Portugal joining the EEC unless the Community adopted a special aid plan for the Mediterranean. **Page 2**

Afghan protest

Afghanistan protested to Pakistan over what it called continuing cross-border attacks and help for anti-government guerrillas. Pakistan rejected the charges.

Pakistan arrests

Sixty people were held in Sind province and four politicians in Baluchistan in a wave of arrests ahead of Pakistan's general election this month.

No-man's land

The Indian Government is considering establishing a no-man's land 500 yards wide along 400 miles of the Pakistan border to stop the movement of Sikh extremists to and from Punjab state.

Footwear 'invasion'

Nearly 75 per cent of shoes and boots sold in the U.S. are foreign made and imports are destroying the domestic footwear business, officials said at a shoe fair in New York.

Record flight

The supersonic airliner Concorde flew to Sydney from London in 17hrs 3mins 45 secs, lopping seven hours off the fastest time by subsonic planes. It was Concorde's first commercial flight to Sydney.

Charity match

Liverpool and Borussia Mönchengladbach will play a charity soccer match to raise funds for families of the 19 British Royal Air Force bandsmen who died in Monday's crash on a West German motorway.

Business summary

Malaysian bids for Wheelock Marden

MALAYSIAN businessman Tan Sri Khoo Teck Puat made cash bid for Wheelock Marden, Hong Kong-based property and shipping group, which values the company at HK$1.9bn ($244m). **Page 18; Hong Kong stock market, Page 25**

MESA Partners, a partnership which includes Texas investor T. Boone Pickens's Mesa Petroleum, said it had bought a 7.9 per cent stake in Unocal, the twelfth largest U.S. oil company, for $584m. **Page 14**

DOLLAR fell in London to DM 3.2890 (DM 3.2990); FFr 10.0675 (FFr 10.0850); SwFr 2.7980 (SwFr 2.8100) and Y260.45 (Y262.75). On Bank of England figures, the dollar's index fell to 151.0 from 151.5. In New York it closed at DM 3.286, SwFr 2.797, FFr 10.0575 and Y259.95.

STERLING rose 40 points against the dollar in London to close at $1.0920. It was also firmer at DM 3.5925 (DM 3.59); FFr 10.9850 (FFr 10.9725), but fell to SwFr 3.0550 (SwFr 3.0575) and Y284.5 (Y285.75). The pound's exchange rate index rose to 71.1 from 70.9. In New York it closed at $1.098.

LONDON: Gilts rose and the F.T. Ordinary index closed up 6.8 at 984.7. **Section III**

WALL STREET: The Dow Jones industrial average closed 10.04 down at 1,287.88. **Section III**

TOKYO: The Nikkei-Dow advanced 55.98 to a new peak of 12,081.69. **Section III**

GOLD rose $1.50 an ounce on the London bullion market to finish at $304.50. It also rose in Zurich to $304.15. In New York, the Comex March settlement was $303.80.

U.S. MONEY SUPPLY: M1 rose $1.4bn to a seasonally-adjusted $565bn in the week ended February 6 1985.

TAIWAN finance ministry suspended seven top officials of a credit co-operative bank amid allegations that threaten to shake the country's financial system. **Page 18**

EAST GERMAN Foreign Trade Bank's seven-year Eurocredit was doubled to $300m. **Page 16**

TOYOTA, Japanese car group, lifted net income by 25.7 per cent to Y126.13bn ($480.59m) in the six months to December 31 and announced a Y45bn rise in capital spending this year to Y250bn. **Page 18**

TRICENTROL, the UK-based oil and gas exploration company is raising £45.3m ($49.8m) through a rights issue of 11 per cent convertible unsecured loan stock on the basis of £1 of the stock for every two shares held at February 8. **Page 21 Lex Back Page**

MONTEDISON, diversified Italian chemicals group, plans to dispose of about L1,500bn ($750m) in assets in order to reduce its L4,000bn debt burden. **Page 16**

IMPERIAL Group, UK tobacco, brewery and leisure concern, lifted pre-tax profits by 13 per cent to £220.6m ($240m) for the year to October 31. **Page 19; Lex, Page 14.**

TELERATE, U.S.-based electronic business information group, lifted net earnings in its first quarter by 27 per cent to $8.16m. **Page 15**

R. J. REYNOLDS, second-largest U.S. cigarette maker, more than doubled net earnings from continuing operations to $525m in 1984. **Page 15**

EUROBONDS: Holding company of Credit Suisse-First Boston, the market leader, increased net income from SwFr 118m to SwFr 140m ($64m) last year. **Page 36**

PHILLIPS Petroleum's important operations in the Norwegian and UK sectors of the North Sea will probably be put up for sale as a result of the takeover battle over the ninth-largest U.S. oil group. **Page 14**

DUNLOP, the troubled UK rubber group, has won a £17m ($18.5m) order in China to supply technology and plant to manufacture radial truck tyres.

British Airways close to settlement of Laker claim

BY DUNCAN CAMPBELL-SMITH IN LONDON

BRITISH AIRWAYS is within striking distance of reaching an out-of-court settlement to the $1.05bn U.S. civil suit brought against it, nine other international airlines and McDonnell Douglas by Mr Christopher Morris, the liquidator of Laker Airways, on anti trust grounds.

The suit stands at the centre of legal problems which earlier this year prompted the postponement of BA's privatisation.

February 28 remains in effect the deadline for a complex deal which could cost the defendants about £50m to £60m ($54m to $65m) and which BA has been working towards since the start of last December. Participants on both sides of the legal action now appear privately optimistic that this date can be met.

The Export-Import Bank of the U.S. is understood to be the sole remaining party to the settlement process which has yet to indicate a general willingness to accept the main lines of the compromise on the table. This degree of informal agreement, at least, has been reached by BA with all other parties, including Sir Freddie Laker.

BA has always insisted on a comprehensive package, though, and failure to bring the U.S. bank into line could still block final agreement.

Mr Colin Marshall and Mr Gordon Dunlop, the chief executive and the chief financial officer, respectively, of BA, interrupted family skiing holidays in Switzerland last Sunday to go to Washington with BA's lawyers for a crucial meeting with an Exim team led by Mr Bill Draper, the chairman of the bank, on Monday afternoon.

The detailed outcome of that meeting is unclear, and Exim would only say afterwards that its talks with BA were "still developing ideas on both sides." But Mr Marshall and Mr Dunlop have resumed their holidays and BA appears to be expecting a more definitive statement from Washington within a few days.

In the meantime, Linklaters & Paines, the London solicitors acting for BA, plan to explain the present position to Laker Airways' 59 trade creditors. Almost all of them have now offered BA an option to settle their debts at any time up until the end of this month. BA could begin to exercise these options very shortly, given an encouraging response from Exim.

Exim is owed around $75m, taking loans and interest arrears together, and is the largest of eight outstanding principal creditors to Laker Airways, which collapsed almost exactly three years ago.

The others are four banks – Midland Bank International, its subsidiary, Clydesdale, Mitsui Bank and Royal Bank of Canada – and the three leading players in the international aviation industry – McDonnell Douglas, General Electric of the U.S. and Airbus Industrie.

Of the industrial trio, McDonnell Douglas' status as a defendant could colour its attitude as a creditor. GE and Airbus are thought to have serious reservations about the financial terms on offer, but these appear to have been effectively countered by the argument that the Laker suit could have a potentially disruptive impact on the whole aviation business.

Both companies, moreover, are looking to the defendants for future aircraft orders – one of which, from Pan American, is currently under negotiation.

As for the airlines themselves, BA has achieved a broad understanding with its co-defendants similar to that reached with the principal Laker creditors. The total size of the out-of-court settlement

Continued on Page 14

IMF warning over $400m loan to Brazil

BY PETER MONTAGNON IN LONDON

THE International Monetary Fund (IMF) has warned Brazil that it may have to withhold payment of a $400m loan instalment due to Brazil next month because of its failure to meet key public spending and money supply targets.

The fund's warning, provoking fears of a new and damaging stand-off between the IMF and the largest debtor in Latin America, has already meant a further delay in Brazil's efforts to reschedule more than $45bn in debt falling due to commercial banks between now and the end of 1991.

Rescheduling talks with leading creditor banks in New York were adjourned late on Wednesday night after the IMF's position became clear. A brief statement from Citibank, which chairs the negotiations, said the adjournment was pending conclusion of discussions between the IMF and Brazil on a new economic programme for 1985.

Worries about Brazil's ability to meet its IMF economic performance criteria have been mounting since inflation soared to an annual rate of some 300 per cent in January, more than double the IMF's tentative target of 120 per cent for 1985.

The IMF said in a rare statement last night that it had been generally pleased with the progress made by Brazil over the last two years in improving its balance of payments and making structural adjustments to its economy.

It was, however, still worried by inflation, "which has not come down as expected owing in part to deviations in the monetary area."

Discussions on a new 1985 programme for Brazil are continuing, the IMF said, but it is now known that Mr de Larosiere became particularly concerned after Brazil sent a seventh letter of intent to the IMF knowing full well that it was in breach of existing domestic monetary targets.

Unless this problem can be resolved, the $400m loan disbursement, which forms part of a $4bn IMF programme designed to stabilise its economy and help service its $100bn foreign debt, would be withheld.

This would mark a change of heart on the part of the IMF, which has until now been prepared to overlook a series of failures by Brazil to meet domestic economic targets. It also puts increasing pressure on incoming President Tancredo Neves, who is due to take office in a month's time.

Though talks between Brazil and the IMF are due to resume in Washington next week, bankers consider

Continued on Page 14

Boycott of Contadora talks; Argentine wage negotiations may collapse, Page 4

Paris may allow U.S. stake in broadcast satellite

By David Marsh in Paris

FRANCE is exploring the possibility of allowing U.S. financial or communications concerns to take a small stake in a company being set up to commercialise its direct television broadcasting satellite, TDF-1, due to be launched in July next year.

The step would amount to a sharp change in direction in France's traditional nationalist broadcasting policy. It is being considered as part of a move to attract the best possible financial arrangements and programmes for TDF-1, which will play a landmark role in shaping European attitudes over satellite broadcasting.

In another departure from previous policy, M Jacques Pomonti, the head of France's Audiovisual Communications Institute, who was chosen at the end of last year to set up the new satellite company, also favours an important contribution from advertising revenue in the financing of the satellite's four television channels.

TDF-1, which has cost about FFr 1bn ($99m), will be Europe's first direct broadcasting satellite. It will transmit signals over a wide swathe of Western Europe, with a potential audience of about 150m people, reached by dish antennae fitted to tops of buildings.

M Pomonti, who was appointed directly by M Laurent Fabius, the Prime Minister, intends to set up the new company – probably with a capital of between FFr 800m and FFr 1bn – before the summer. Although French state organisations such as CNES, the national space agency, will have a blocking minority of 34 per cent, M Pomonti expects European groups from outside France will have important stakes, with, perhaps, a small participation coming from the U.S.

M Pomonti, who stresses he has "no prejudices" about exploring all options, has already visited the U.S. as well as European countries, including Britain, Switzerland and Italy, although he has not yet entered into negotiations with possible partners on either the financial or the programme side.

Among his contacts in Britain has been Mr Rupert Murdoch's Skychannel organisation.

Under a previous accord between the French and Luxembourg governments in October, France was to share the four channels equally with the Grand Duchy. Only the Luxembourg channels, involving French and German-language programmes broadcast by the Compagnie Luxembourgeoise de Tele-

Continued on Page 14

Italy 'will not enforce' EEC milk output curbs

BY IVO DAWNAY IN BRUSSELS

ITALY has told its EEC partners it is unable to give categorical assurances that it can enforce fully new Community rules aimed at reining in surplus wine and milk production.

The warning, at a meeting this week of the Community's special committee on agriculture, disappointed other member states.

Sig Albino Dalsasso, a senior Italian Farm Ministry official, said that while Rome had approved the new wine rules at the Dublin summit last December, it was impossible to ensure accuracy of its wine data.

He added that a French plan to introduce financial and legal penalties for those failing to supply correct data was not feasible.

The Italian admission follows closely on its application last week for further special treatment over the milk "superlevy" which is aimed at curbing EEC production. When the scheme was agreed last March, Rome was allowed a year to set up the administrative machinery to apply the rules.

Since then the European Commission has taken legal action against Italy for failing to make sufficient efforts to enforce the regulations.

Now, the Italians have requested a new package of special measures and exemptions for its milk producers. These include a further year's derogation, the permanent establishment of a national as opposed to producer level quota and an additional 1m tonnes of permissible annual output.

The deadlock in discussions on implementing the wine regulations is a more urgent problem, however, as ministers were anxious to conclude talks this month. This would allow Spain to endorse the technical changes which will be applied to its own wine producers after its accession to the Community.

Negotiators of the Ten believe Italy's inability to agree on enforcement procedures means there is no chance of technical details being completed in time for ratification when farm ministers meet on February 25.

The Commission has now been asked to come forward with new, less rigorous plans for introducing the system to be presented next week. But there is little optimism that these will be acceptable to France, which is determined to control the output of its main wine competitor.

The row is particularly embarrassing for Italy as it currently holds the six-monthly rotating presidency of the Council of Ministers.

Brussels tables Spanish entry proposals; Strasbourg urges investigation of Mafia farm fraud, Page 2

Ford to concentrate tractor output in UK

BY ANDREW GOWERS IN LONDON

FORD MOTOR is to concentrate its production of agricultural tractors at a UK plant, scaling down the U.S. and mainland Europe manufacturing operations.

The move, designed to increase the use of Ford's modern British manufacturing capacity and avoid duplication of production, will mean the loss of 230 out of 3,000 jobs in the U.S. and up to 70 in Antwerp, but could eventually create more than 100 new jobs at Basildon, in south-east England.

Mr Robert Moglia, general manager of Ford's tractor operations, said: "This action will improve our operational efficiency and strengthen Ford competitiveness and overall position in world markets."

Ford executives in Britain said the move, which will involve additional investment of £5m ($5.4m) at Basildon over the next two years and which forms part of a longer-term plan to reorganise the company's entire tractor business, would reduce costs and boost revenue. If the dollar remains strong, the company also stands to gain by supplying tractors to North America from Europe.

The world tractor market is currently labouring under the twin burdens of depressed sales and considerable excess capacity, but British exports last year were up by nearly 25 per cent.

Ford's aim is to move production of its four-cylinder Series 10 tractors from its factory at Romeo, Michigan, to Basildon by the end of this year, and of its six-cylinder TW series models initially to its Belgian plant at Antwerp. This would then be moved on to Basildon by the end of 1986.

Ford results, Page 15

Thatcher and Kinnock continue war of words over secrets

BY MARGARET VAN HATTEM AND IVOR OWEN IN LONDON

MRS MARGARET THATCHER, the British Prime Minister, yesterday retreated behind claims that further information on the sinking of the Argentine cruiser General Belgrano would prejudice national security in the face of persistent questioning from Mr Neil Kinnock, leader of the opposition Labour Party.

Mr Kinnock yesterday accepted Mrs Thatcher's assurances that she had no part in the decision to prosecute a senior civil servant for leaking documents relating to the sinking of the Belgrano during the 1982 Falklands war.

He declined, however, to apologise for his refusal to accept her statement earlier this week. He maintained that if any apology was due, it was due from Mrs Thatcher for the "utterly disreputable action" of her ministers – revealed by Mr Clive Ponting – in seeking to mislead parliament over the sinking of the Argentine cruiser General Belgrano.

Mr Ponting was acquitted on Monday of charges brought under Britain's 1911 Official Secrets Act arising from his leaking of documents to Mr Tam Dalyell, a Labour member of parliament who is a fierce critic of the Conservative Government over the Belgrano affair.

Mrs Thatcher and Mr Kinnock have exchanged numerous letters, and released their contents, since their initial clash in the House of Commons on Tuesday. Late Wednesday night, Mrs Thatcher issued a detailed denial that she or her defence ministers were involved in any stage of the process leading to the decision to prosecute Mr Ponting.

The political row, however, continued unabated yesterday.

Mrs Thatcher insisted, that there had been "no attempt whatsoever to mislead parliament" over the sinking of the Belgrano, but said considerations of national security prevented disclosure of further information to parliament.

Mr Kinnock said he accepted Mrs Thatcher's account of the decision by Attorney General Sir Michael Havers and Solicitor General Sir Patrick Mayhew on August 17 last year to prosecute Mr Ponting. But he expressed "incredulity" at her insistence that other ministers played no part in the decision or the process leading up to it; and he posed 18 detailed questions, in his letter to the Prime Minister on the part played by her, by Mr Michael Heseltine, the Defence Secretary, and Mr John Stanley, Minister of State for the Armed Forces, in the days leading up to the decision.

Attack on 'pernicious' secrets law, Page 7; Politics Today, Page 13

CONTENTS

Warsaw Pact presents troop reduction plan

BY PATRICK BLUM IN VIENNA AND PATRICK COCKBURN IN MOSCOW

THE WARSAW PACT yesterday formally presented a proposal for tha reduction of U.S. and Soviet troops in Central Europe aimed at braaking tha deadlock in the East-West talks in Vienna on reducing conventional forces in Europe.

The proposal, which revives a plan previously put forward by the Warsaw Pact in 1983, but rejected by the West at the time, provides for the initial reduction of 20,000 troops by the Soviel Union and 13,000 by the U.S. within a year of an agreement being reached.

This would be followed by a larger cut back in Nato and Warsaw Pact forces to a level of 900,000 men on each side, including 700,000 infantry. One half of tha Warsaw Pact reduction would consist of Soviet troops, a Soviet delegale said.

The plan foresees a aecond stage during which the states in the Central European theatre would agree to freeze the level of their forces for three years.

The proposals were given a guarded welcome by Westero delegates. Western diplomals said yesterday that the Nato countries would have to examine the proposals more closely before passing judgment on them.

Mr Mikhail Kokeyev, the Soviet spokesman, described the proposals as "a major practical military and political aign to demonstrate our readiness lo take first steps to reduce the military confrontation in Central Europe."

He hoped that the proposala would help to break the deadlock in the 11-year-old talks. Disagreement over the existing number of troops currently deployed on both sides bas blocked progress for years at the Vienna talks.

Nato, wbich claims that the Warsaw Pact underestimates lts troop atrength by nearly 200,000 men, wants the Soviet Union to withdraw 30,000 troops instead of the 20,000 proposed.

Western delegales here have repeatedly asked for a response to their own proposals made last year arguing that it was up to the Warsaw Pact lo make the next mova. Yesterday's announcement effectively throws the ball back into the Weslarn court.

Mr Kokeyev dismissed suggestions that the proposala were prompted by the resumption of talks between the U.S. and the Soviet Union In Geneva. "The main aim of this proposal ia to exerl a positive influence on the talks in Vienna. If on the basis of this quick action results can be achieved then it is possible this will have further positive effects."

Swedish industrial output at record level last year

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

SWEDISH INDUSTRIAL production jumped by 6.9 per cent last year to a record level.

After growing strongly throughout the 1960s and aarly 1970s, Industrial output went into a long decline, partly as a resull of the 1973 oil crisis, but also because a dramatic rise in labour costs rapidly priced Swedish goods out of International markets.

A modest recovery in 1979-80 was short-lived and industrial activity only began to Increase ln the autumn of 1982 following the 16 per cent devalnation of the krona.

Output jumped by 5.8 per cent in 1983 and by 6.9 per cent last year, the biggest annual increase since 1969. Activity has been boosted chiefly by increased demand from export markets, with a particularly strong development last year in the all-imporiant engineering sector which accounts for some 40 per cent of total Swedish Industrial production. The iron and steel and pulp and paper seclors also grew strongly.

Engineering output wenl up by 10 per cent, following a jump of 7 per cent in 1983. Tha backlog of orders Increased further in the final quarter of last year and companies expect production to grow in the first part of 1985, although et a slower rate.

Pulp and paper sector, which showed tha fastest growth in 1983, expanded further last year, but the grst signs of a slowdown are now emerging. Sawmills are planning some production cut in the first half of this year.

Stock market prices for forest product groups have fallen sharply in recent weeks. Demand for paper is still strong, bowever, and companies are planning a further increase in output during the first six months.

Some concern about economic prospects for this year have emerged from the January trade figures released this week, however. These show a fall in the volume of exports, but e steep rise in the value of imports.

The trade balance last month was only SKr 100m (£98m) in surplus, compared with SKr 2.7bn (£265m) ln January 1984. Some sea transport could have been delayed, however, by the ice surrounding much of Sweden's coast.

Romania asks Moscow to boost oil supplies

BY PATRICK BLUM,

ROMANIA IS seeking a long-term agreement for guaranteed nil supplies from lhe Soviet Union for the duration of lis next five-year plan, which runs from next year until 1990. It also hopes to take part in oil exploration and production in the Soviet Union.

The country has been worst hit among East European states by the exceptionally harsh winter. Widespread shortages of energy for electricity, heating and transport have forced the Government lo take Draconian measuers to reduce consumption.

Private cars have been ordered off the roads, large aections of Bucharesl are barely lit and gas pressure is so low that cooking is difficult at peak times.

In January, power from hydroelectric plants was almost non-existent due lo lower waler levels and the frozen Danuba. Tha production of coking fuel from open-cast mines waa alao seriously reduced because of the bad weather.

Mr Ion Stanciu, the Deputy Foreign Minister, said that oil production had been increased, but "it could not compensate for the fall in coal based electricity."

In the past two years Romania imported 11.5m tonnes of oil a year, representing about half the lotal domestic consumption, including oil processed as refined products for export. Domestic production is slightly under 12m tonnes a year.

According to western estimates, Romania bought 1.1m tonnes of oil from the Soviet Union in 1984 out of an option for 2m tonnes. Thia year, Romania hopes to get 2.5m tonnes plus the additional 0.9m tonnes left over from last year. For the next plan period it wants between 3m and 6m tonnes a year from the Soviet Union.

Unlike some of lts neighbours, Romania is charged the same price for its Soviet oil as the Soviet Union's West European customers. This is based on market and Opec prices. Mr Stanciu says that Romania has been paying $29 a barrel ln hard currency or hard currency goods, mostly food products It would normally sell tn the West. Last year all payments were made in hard currency goods.

The Romanians now hope that they will be able to obtain more oil from the Soviets and at cheaper prices.

Ankara recalls envoy from Sofia over ethnic Turks

PRIME MINISTER Turgut Ozal said today that Turkey bad recalled its ambassador in Sofia for consultations about Bulgaria's ethnic Trkiah minority, Reuter reports from Ankara.

The move followed press reports that ethnic Turks had been beaten and killed in Bulgaria in an official campaign to maka them adopt Bulgarian names. Sofia denies the charge.

"Unfortunately we do not bave any definite Information." Mr Ozal was quoted by state radio as saying Turkey would not hesitate to take maasures to solve the problam, but he did not elaborate.

Foreign Ministry officials said the recall of Mr Omer Engin Lutem, the ambassador, was not Intended to signal displeasura with the Bulgarian Government, with which relations were generally good.

Turkey says there are 900,000 ethnic Turks in Bulgaria, but Sofia puts the number af 500,000.

Solidarity leaders still in custody

By Christopher Bobinski in Warsaw

TEN RECENTLY amnestied Solidarity leaders were still being delained yesterday after Polisb police hroke up their meeting in Gdansk on Wednesday. The meating had been called to discuss a 15-minnte general strike, called for February 28, in protest at food price rises.

Mr Lech Walesa, who was present, was allowed to go free, but those detained include Mr Wladyslaw Frasyniuk, from Wroclaw, Mr Bogdan Lis, from Ddansk, and Mr Adam Michnik, the dissident intellectual from Warsaw.

Ever since last July's amnesty, in which Solidarity hard-core activista were freed, both sides have been warily feeling their way in mutual relations.

The Government has been keen to head off adverse publicity in the West and to avoid providing the Solidarity movement with martyrs by locking np its amnestied

Mr Bogdan Lis: arrested in Gdansk

leaders. The latter, meanwhile, have sought to define the limits of open activity and to encourage their supporters battered by three years of "normalisation."

So far, the Government has opted for short prison sentences to discipline its opponents. These include the two months impoeed last autumn on Mr Frasyniuk and the two extra months on top of the three months which Mr Andrzej ... Gwiazda, ... from Gdansk, received last December.

This harassment has gone relatively unnoticed in the West and supporters of the imprisoned activists have been unable to mobilise domestic protests because of the relatively short prison sentences.

These activists have tried to show public solidarity with Mr Zbigniew Bujak and his underground colleagues and establish their own right to freedom of expression and open political activity.

In the most recent example, Mr Michnik and Mr Jacek Knron met Mr Tadeusz Jedynak, the underground leader in Silesia, and called for independent anti-pollution committees in what is an ecological disaster area.

Mr Michnik and Mr Lis also met the underground last month to issue a call for the food protest strike.

Spanish strike

The Spanish Government yesterday said that fewer than one in ten of the nation's doctors had joined the second day of a three-day protest stoppage over health service charges, Renter reports from Madrid.

COMMISSION SEEKS TO WRAP UP OUTSTANDING ISSUES

Brussels tables Spanish entry terms

BY IVO DAWNAY IN BRUSSELS

THE EUROPEAN Commision has tabled what is hoped are its final proposals on the outstanding issues to be negotiated with Spain over its accession to the European Community.

The new packaga, concentrating on the remaining issues of fish, agriculture and social affairs, comes as doubts are mounting over whether the January 1, 1986, accession date can be met.

Earliar this week, Spanish newspapers reported the Sr Fernando Moran, the Foreign Minister, had hinted in Rome that a furthar year's delay until 1987 may be necessary due to the shortage of time for EEC member states to ratify any finaly deal.

Sr Moran was said to have posed the possibility of Spain signing an accession treaty this year, but then allowing the Ten an additional 12 months lo complelt parliamentary procedures.

This has since been denied by the Spanish Foreign Ministry which claims that Spain is still determined to complete the talks in time for accession next January.

The proposals delivered to member states this week include marginal improvements fnr Spain in the key questions still not agreed.

On fisheries, widely regarded as the most difficult dossier, the Commission has presented a redically different plan from that originally proposed. It reduces the "frozen" transition period from 10 years to seven on the condition that Spain undergoes a major restructuring programme, partially EEC funded, thet would cut its northern fleet by 50 per cent.

After this period, a reduced fleet would be allowed access to the crucial waters west of Ireland and in tha North Sea, under a system nf special licences designated for specific species favoured in Spain.

The farming dossier, now acknowledges Madrid's fears of a flood of food products from the Ten destroying the livelihoods of its farmars. Sales of beef, milk, cheese and bread-making wbeat will be kept out of the Spanish market for four years after accession.

There are also provisions for tariff-free access for some Spanisb fruit and vegetables, including citrus products, after seven years instead of the ten originally proposed."

Tha Commission plan also offers Spanish workers and their families elightly quicker access to EEC residency rights in other states.

Enlargement warning from Athens

By Andriana Ierodiaconou in Athens

GREECE warned the European Community again yesterday that it will hlock the accession of Spain and Portugal if approval is not given first to the Integrated Mediterranean Programme (IMP). Under this special financial package proposed by the European Commission, Athens atands to receive Ecu 2.5bn (£1.5bn) in extra development funds over the next five years.

"The Commission's proposals were not accidental," said Mr Theodore Pangalos, the Minister for EEC Affairs. "They were based on the idea that enlargement carries a cost. If this cost isn't covered, there will be no enlargement."

Mr Pangalos accused the Commission of a delay in submitting proposals to push the IMPs through the Council of Ministers. "This delay creates all the preconditions for another crisis at the EEC summit in March."

Mr Andreas Papandreou, the Greek Prime Minister, first made clear at the EEC summit in Dublin in December that approval of enlargement depends on implementation of the IMP. The Ecu 6.5bn package was first conceived by the Commission In 1983 to benefit Greece, Italy and France. But it has been hlocked by objections from northern EEC states, such as Britain and West Germany, who consider the expenditure exorbitant.

Steel sold 'below minimum price'

BY PAUL CHEESERIGHT IN BRUSSELS

STEEL is commonly being sold at prices between 2 and 5 per cent below the compulsory minimum levels established by the European Commission, according to EEC engineering companies grouped in the industry confederation, Orgalime.

Orgalime yesterday told Herr Karl-Heinz Narjes, the Commissioner for Industry, that the market was too weak to sustain a 3 per cent rise in minimum prices demanded by Eurofer, the steelmakers organisation.

The Commission is considering the Eurofer demand and is working towards setting the level of production quotas for the second quarter. It controls a Community wide system of prices and production to aid the restructuring of the steel indnstry.

Herr Narjes was told that the markets for sections and reversing mill plata remain weak, although not in the UK. Orgalime noted that prices of coils and cold sheet had moved np during the last quarter of 1984 and the current quarter. Some prices at the top nf the range are near tbe Commission compulsory minima, it said.

There is especial concern about tbe market in Germany owing to the weakness nf the construction and motor sectors.

The general view among users is that the compulsory minimum prices are not being used as a floor but rather as a target for the market. When actual prices approach the compulsory minimum level, there is an attempt to ratchet them higher, Orgalime believes.

General Commission policy has been to raise minimum prices as bigh as the market will bear in an effort to bolster the finances of the steel companles.

But users remain annoyed that steelmakers are exporting at considerably lower prices than the internal minima, thus putting EEC engineering companies at a competitive disadvantage when tbe steel comes back into the Community as a processed product.

MEPs want Mafia fraud inquiry

BY QUENTIN PEEL IN STRASBOURG

EUROPEAN MPs yesterday demanded immediate inquiries by the European Commission and the European Court of Auditors into allegations of massive frand by the Mafia in Sicily.

They voted overwbelmingly in favour of two resolutions to tighten the administration of farm funds, after claims that organised crime ln Sicily had obtained hundreds of millions of Ecus with false claims on the EEC commou agricultural policy.

Mr Frans Andriessen, the agriculture commisiooer, promised that the section of the Commission responsibla for investigating fraud would be strengthened. A plan was being put to member states for a semi-autonomous unit to lmprove the enforcement of CAP spending control.

Sig Pancrazio de Pasquale, Italian Communist author of one resolution, said most of the frand took place in the fruit and vegetable sectors. He urged the Commission to co-operate with the current Itallan investigation of the Mafia ln Sicily which had reported such cases.

Mr James Provan, the British Conservative MEP and agriculture spokesman for his group, called for investigations, both by the Commission and the Court of Auditors, into both wine and olive oil purchases.

He challenged a plan by the Commission to set aside some Ecu8m for the Italian Government to monitor CAP spending in that country, arguing that this was already an Italian responsibility, although it had "already shown that it cannot monitor the situation properly."

An attempt to call for urgent action by the Commission against Britain's Milk Marketing Board as part of the resolution was defeated.

OECD cautions Norway on oil revenue

CITIG WEAKNESS in Norway's industrial sector, the Organisation for Economic Co-operation and Development (OECD) yesterday warned the Government against relying on its North Sea oil revenues for continued economic growth, Reuter reports from Paris.

The warning on the need to make essential adjustments to changind world conditions waa issued in the annual OECD report on tbe Norwegian economy, despite what it called tbe country's good balance of payments record and healthy public finances.

"Industrial production has ben virtually stagnant for a decade, and a higber proportion of Industrial employment bas been engaged in 'low growth' branches," it said, adding that wages and subsidies to unprofitable sectors should be kept down.

Norways economic growth is likely to slow to 1.5 per cent in 1985 from 3.8 per cent last year, because of a temporary fall in oil and gas exports, the report aaid. But if oil and shipping were excluded it sbould repeat last year's 2.75 per cent rise.

The balance of payments current account showed a record $2.8bn surplus last year in part because of higher oil end gas output and exports, it said.

Tbat will slip in 1985 to about $2.3bn on the reduced oil and gas exports, an expected slowdown in manufacturing exports and higher imports.

The trade surplus also will nerrow to $3.85bn ln 1985 from $4.3bn in 1984, the OECD added.

According to Mr Kaare Kristiansen, the Norwegian Energy Minister, the country'a oil and gas production reached a record 60.2m tonnes of oil equivalents in 1984, resulting in state revenue of NKr 38.5bn ($4.3bn).

The report said consumer prices were expected to risa by 5.75 per cent this year compared to 6.25 per cent last year, provided wage increases can be moderated by planned tax cuts.

It said Norway's unemployment rate, alresdy one of the lowest among OECD nations over the last decade, would drop to about 3 per cent of tbe workforce in 1985 from 3.1 per cent last year.

Belgium warned on budget deficit

BY OUR BRUSSELS STAFF

THE BELGIAN Government will face a currency crisis if it relaxes its effort to hold back public sector spending, the central bank warned in its annual report published yesterday.

In a careful and discreetly worded analysis of the situation surrounding the public sector deficit, the Netional Bank of Belgium said that the aize of the deficit left scarcely any room for manoeuvre in budgetary policy.

If the public sector financing needs took a greater proportion of the gross national product, confidence in the economy and the stability of the Belgian franc would be weakened, notably among those holding significant liquidity in francs. The foreign exchange markets would feel the effect, the bank said.

The central bank for several years has been worried about the public sector financing requirement. Its latest analysia is clearly an attempt to encourage the Government in pursuing stringent economic policies during an election year.

At the same time the bank appears to be warning the coalition Government of Mr Wilfried Martens to be very careful how it approaches the question of tax changes.

The majority Christian Democrats are linking tax cuts to further progress in reducing the deficit, thus putting off change until next year, on tha assumption nf re-election.

Danes warm to Copenhagen link to mainland

By Hilary Barnes in Copenhagen

GENERATIONS OF indecision by Denmark over whether to build a permanent link across the slip of water which separates the Jutland peninsula from the island of Zealand on which Copenhagen is siled may be nearing an end.

Three reports released by the Ministry of Public Works in Copenhagen yesterday said that a bridge or tunnel link would be economically highly advantageous in comparison with the present ferry links. The reports coincide with other factors putting pressure on the Government to more forward on the issue.

One source of pressure has come from the other Nordic countries, who want lo build a link across the sound between Denmark and Sweden, but are not bappy to go ahead until Denmark ltself has a road link.

The second factor is that very substantial investment decisions relating to the ferry service are pending. The difference between these investments and the cost of a permanent link is relatively amall, but if it is decidad to approve the new Investments in the ferry service the prospects for a permanent link are likely to become dim.

Ona of yesterday's reports put the cost of the ferry service investments at DKr 52bn (£4bn) over the next few years. A rail and road bridga would cost DKr 11.3bn and a tunnel, in which cars would be transported on rail trucks, at nnly DKr 6.6bn. The report added that the savings on operating costs alone would repay the cost of a bridge in 13 years and a tunnel even more quickly.

Opposition to a permanent link has centred on conflicting regional interests and cost.

Soviet Union extends economic experiment

BY PATRICK COCKBURN IN MOSCOW

THE SOVIET Union's new economic experiment, on which hangs bopes of a better economic performance, has been extended from the beginning of this year to 2,300 enterprises, responsible for 12 per cent of total industriel production, according to a senior Soviet official.

The experiment, first epplied to five ministries at the beginning of 1984, gives tha managers of individual enterprises greater responsibility for budgets, labour, wages, production and contract fulfilment.

Mr Nikolai Ryzhkov, who heads a new economic unit set up in the all powerful Secretariat of the Central Committee, told an election meeting to he Supreme Sovla in Novosibirsk tn Siberia that production had gone up, with no Increase in the number of workers in these enterprisea.

Among the aims of the reform is to link higher productivity and efficiency to Increasad wages. Managers will pay more ettention to demand and there will be greater accountability for por quality goods. Decentralised management Is to be combined with more centralised planing at the vary top. Individual ministries will lose some of their old authority, which they are resisting very strongly.

Expanding the rights of enterprises means granting them some of the functions in planning end economic activity which were formerly the prerogative of senior officials of the ministry concerned," said daily newspaper Izvestia recently. "But ministry officials have been slow to relinquish petty tutelage of enterprises."

The result was that the new experiment, say Soviet economists, had produced benefits, hut not a breakthrough lu productivity. This is needed because the Soviet labour force is due to increase by only 3m workers in the presant five-year plan, compared with 11m in the last.

The emphasis in speeches by senior members of the Politburo has consequently been on reorganisation rather than fresb investment. The aim is to increase the return on fixed assets and the degree to which this occurs—and radical economic reorganisation enforced — depends in large measure on the strength of the direction from the Politburo and the Central Committee, which bold real power in the Soviet Union.

This in turn will he affected by whether or not President Konstantin Chernenko, whose health has been a matter of intense diplomatic speculation in recent weeks, is replaced by Mr Mikhail Gorbachev, the number two in the Politburo, who has long been a proponent of economic reform.

But even a new leader would find it difficult to make drastic changes in the economic system. While conceding that initial results from the five ministries in the experiment are encouraging, a senior economist, Dr A. Agenbegyan, says "there has been no breakthrough in productivity."

Dr Aganbegyan says that an experiment which did show a dramatic increase in productivity was at a gold mine which was given almost complete managerial and financial autonomy. "It turned out that whereas there had been 1,200 people working in the mine, now 284 handled the same volume of work. Labour productivity was 300 per cent higher and unit cost was 50 per cent lower."

In effect, Dr Agenbegyan says that day to day economic activity should not be determined by ministries hut by enterprises themselves accountable for their own capital and current spending. This in turn implies a change in the price system as individual plants and farms struggled for profitability.

French Left in row on contracts

By Paul Betts in Paris

DIFFICULTIES over the negotiations of contracts worth FFr 7bn ($694.4m) between Renault and the Soviet Union have led to a new political controversy in France between the Socialist Government and the French Communist Party.

The Communists yesterday accused Renault of showing little interest in the Soviet deals and claimed the state car group appeared willing to abandon Eastern Bloc markets which could provide "hundreds of jobs."

After signing an initial agreement worth FFr 300m to design a new car for the Soviet Union in November 1983, Renault has been involved in negotiations to provide FFr 1bn worth of machine tools and other equipment to Moscow.

The equipment supply deal was expected to be the prelude of a far larger contract worth between FFr 6 to FFr 7bn to construct a car engine plant in the Soviet Union.

Moscow has been showing interest in Renault's new so-called 'F' engine which equips the Renault 9, the Renault 11 and some models of the Renault Super 5. Renault is completing a similar engine plant in Mexico.

The initial FFr 300m design and engineering agreement has been fully paid up, but Moscow is now seeking to secure better financial terms from Paris for the FFr 1bn deal involving machine tools and other capital equipment for Moskvitch car plants. So far an agreement covering only FFr 180m of the FFr 1bn total has been reached.

It is understood that Moscow has now told Renault it is able to by similar equipment cheaper from the Fiat group of Italy and from Volkswagen of West Germany. Moscow has also suggested that it has had interesting propositions for the engine plant from West Germany and Japan.

Moscow now appears intent on putting pressure on the French Government and Renault to come up which with improved terms for the large contracts. Indeed, visiting members of the Soviet Communist Party raised informally the issue of the difficult Renault negotiations during the French Communist Party congress last week.

Beyond financial and commercial repercussions, the affair has broader domestic political implications. The controversy was sparked off by M. Andre Sainjon, the head of the pro-Communist CGT metalworkers union, and M Roger Sylvain, the CGT union member who sits on the Renault board as a union representative.

The two CGT union leaders attacked Renault's attitude towards the Soviet negotiations in a press conference. M Andre Lajoinie, the president of the Communist group at the National Assembly and one of the party's most influential members, also joined in the public criticism of the car group and the Socialist Government.

The latest attack against Renault comes at a time when the car group, expected to report losses of about FFr 10bn in 1984, has just changed chairman.

The CGT and the Communist party are preoccupied that Renault under its new chairman, M George Besse, will adopt a tougher approach to job restructuring.

It also comes barely a week after the French Communist Party congress where M Georges Marchais, the Communist Secretary General, launched a blistering attack against President Francois Mitterrand.

Greek, Soviet accord on N-weapons

By Andreana Ierodiaconou in Athens

GREECE and the Soviet Union issued a joint communique at the end of an official visit to Moscow by Prime Minister Andreas Papandreou yesterday, backing the creation of nuclear free zones, opposition to the militarisation of space and calling for an international conference on the Cyprus problem, all positions opposed by the U.S.

Mr Papandreou said: "On nuclear weapons, it is clear that our positions coincide. We want an end to testing, the non-militarisation of space, and a moritorium on the installation of new missiles of whatever type in any part of the world." He said he had briefed the Soviet leadership on the progress of a six nation anti-nuclear peace initiative launched in New Delhi in January.

The Greek-Soviet communique however did not contain the clear-cut statement of Soviet support for Athens in its dispute with Turkey in the Aegean and Cyprus.

The Prime Minister insisted, however, that a reference in the text to the settling of "issues" in the Aegean "peacefully and according to the rules of international law" constituted "an achievement and a true move of goodwill on the part of the Soviet Union."

FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. U.S. subscription rates $420.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing centres. POSTMASTER: send address changes to: FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. 10022

OVERSEAS NEWS

Key decision close on Israeli purchase of N-power plants

BY DAVID LENNON IN TEL AVIV

ISRAEL is close to completing its examination of the technical aspects of the French commercial nuclear power stations which the country is considering purchasing. The study should be concluded "within a few weeks," according to Mr Avishai Amir, spokesman for the Ministry of Energy.

If, as expected, this leads to preliminary approval, Israel will then concentrate its discussions with the French on the financing of two 900 MW power stations, which should cost about $1.5bn each. France has already indicated that financing would be available, and the question at issue now is the terms of credit.

However, there is also the question about the decision-making at the political level. The influential Ha'aretz newspaper commented recently that "although there are a great many technological and financial questions here, anyone who buys or sells reactors of this kind is functioning above all in the political sphere."

Indications that France would consider a sale of reactors came from President François Mitterrand during his visit to Israel in 1982. When Mr Shimon Peres, Prime Minister, visited Paris two months ago, he said that France had responded "more than favourably" when the subject of the supply of nuclear reactors was discussed.

But there is still considerable secrecy over the state of the negotiations. This was underlined by the lack of official comment about the recent visit to Jerusalem of Mr Jacques Attali, a senior aide to President Mitterrand. He is believed to have discussed a nuclear power station with Mr Peres

Another man whose visit attracted little public attention is Mr Aboudarhm, the export manager of Framatome, the firm which manufactures the commercial nuclear reactors that Israel is considering buying.

The U.S. has responded angrily to the possibility that Israel would buy from the French, according to reports which are vigorously denied by the Energy Ministry. Officials in Washington have been quoted as believing that the ailing Israeli economy can ill afford the price.

King Fahd appoints two sons

By Michael Field in London

IMPORTANT changes are being made in the Saudi Arabian Government, though they do not amount to the full scale reshuffle that has been expected for two years or more.

The changes affect two of the King's sons, who have been appointed to political posts, and a possible new Governor for the Saudi Arabian Monetary Agency (SAMA), the Kingdom's central bank.

Three of King Fahd's five sons now occupy government positions. The eldest, Faisal, has been President of the Youth Welfare Organisation for several years.

King Fahd's second son, Mohammad, has been appointed acting Governor of the Eastern Province, the oil-bearing region on the Gulf coast and with Riyadh and Mecca one of tha three major provinces of the Kingdom. Before being appointed to a post in the Ministry of the Interior last year, Mohammad Fahd was an extremely effective and controversial contractors' agent and trader.

In his new job Prince Mohammad is expected to put in hand a much needed smartening up of his rather scruffy province, which, in turn should result in a series of new municipal improvement contracts.

His predecessor, Abdul-Mohsin bin Jiluwi, whose family had governed the province since 1913, has left the Kingdom for medical treatment and it is expected that he will not return to his post. He was regarded as being too quiet and retiring to be a provincial governor, and his weakness in the last two years had allowed an upsurge of activity by religious fundementalists in the region.

The other son of the King to be given a new post recently is Saud, who has been made the deputy head of external intelligence under Prince Turki al Faisal.

Khmer Rouge faces heavy offensive

THOUSANDS of Vietnamese troops backed by artillery and tanks were yesterday on the point of taking strongholds of the Khmer Rouge forces in the south west of Kampuchea, according to reports form the Thailand/Kampuchea border yesterday.

The reports, quoting Thai military sources suggest that the estimated 170,000 Vietnamese soldiers occupying Kampuchea may be close to snatching a second military success in the dry season offensive that they launched last November.

The offensive, the fiercest since the Khmer Rouge Government was ousted from power in Phnom Penh six years ago, has already dealt a blow to the Khmer People's National Liberation Front, led by the nationalist Sonn Sann, whose camps were previously overrun.

In recent days the well-armed Khmer Rouge is reported to have launched counterattacks against the Vietnamese inside Kampuchea, cutting stretched Vietnamese supply lines. The latest news, if confirmed, could mean that Khmer Rouge hopes for continued opposition rest with these guerrilla attacks.

The reports also raise the prospect of a confrontation between Vietnam and China, which staunchly backs the Khmer Rouge, on their common border. Only minor exchanges are believed to have occured so far this year, but visits to the border are understood to have been disallowed recently because of the tension.

China has recently threatened to teach Vietnam a "second lesson," a reference to their first border war in 1979 when Vietnamese forces were close to annihiliating the Khmer Rouge.

Yesterday's reports said tens of thousands of refugees have fled into Thailand from the latest fighting and that Khmer Rouge soldiers were also in retreat. Khmer Rouge strongholds in the Phnom Malai mountains were said to be caught in a pincer movement from the south and east by units from six Vietnamese divisions.

About 200,000 Kampuchean refugees have come across the Thai border during this year's offensive. There have also been direct clashes between Vietnamese and Thai forces.

This week's fighting follows the appeal on Monday from the Association of South-East Asian Nations for military aid to help Kampuchean resistance forces fight the Vietnamese troops.

● China has made a bitter attack oa the Soviet Union for bankrolling the Vietnamese occupation of Kampuchea.

Lebanese killed in village raid

BY OUR TEL AVIV CORRESPONDENT

ONE LEBANESE civilian was shot dead, another wounded, and dozens arrested, when a large Israeli armoured force surrounded and searched the south Lebanese Shia Moslem village, Bourj Rahal, yesterday.

The Israeli force, which included bulldozers, as well as tanks, also destroyed five houses in the village. This is the fourth such punitive raid by the Israelis on e Shia Moslem village in south Lebanon this month.

There has been an upsurge of guerrilla attacks on the Israeli occupation forces this month.

Mr Timor Goksell, the spokesman for the UN peacekeeping forces in south Lebanon, said a confrontation developed between senior Unifil officers and Israeli officer, when the UN force tried to prevent the Israelis from razing the house in Bourj Rahal.

Joint Ethiopian food effort

ADDIS ABABA – The Soviet, Polish, British and West German Air Forces have started a joint operation to drop food to famine-hit Ethiopians on remote mountaintops after weeks of negotiations, United Nations officials said yesterday.

"Operation Saint Bernard" involves dropping grain from British and West German Hercules transport planes from a height of only 15 metres.

Polish helicopters first reconnoitre the mountain peaks in the northern Shoa region, about 100km north of the capital, and Soviet helicopters distribute the grain after it has been dropped.

The operation is designed to feed some 30,000 people, the U.N. officials said.

Previous attempts to supply food by truck and mule train foundered because of the jagged terrain.

Officials and aid workers say that between 7.5m and 9m of Ethiopia's 41m population are suffering from drought and thousands have died. Reuter

NOTICE OF REDEMPTION
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139	4700	5837	7477	8414	9575	10748	11706	13368	14259	15228	16565	17700	18422	19342
141	4701	5839	7421	8493	9577	10756	11709	13373	14260	15229	16580	17713	18427	19347
147	4705	5843	7424	8558	9584	10759	11716	13381	14262	15231	16593	17720	18431	19349
297	4706	5846	7445	8560	9587	10761	11725	13382	14263	15234	16594	17723	18443	19352
307	4722	6026	7449	8623	9742	10770	11728	13390	14272	15243	16605	17730	18448	19353
519	4733	6027	7450	8651	9751	10771	11734	13403	14273	15248	16614	17732	18449	19354
594	4747	6044	7452	8657	9752	10775	11741	13405	14274	15258	16617	17736	18453	19358
818	4749	6050	7455	8680	9772	10776	11827	13407	14275	15263	16624	17738	18468	19359
759	4755	6054	7467	8709	9773	10778	11828	13410	14278	15270	16632	17750	18470	19360
915	4757	6092	7471	8710	9794	10780	11829	13411	14279	15292	16639	17753	18621	19363
982	4777	6123	7483	8767	9806	10781	11831	13413	14284	15325	16646	17755	18623	19365
1440	4778	6125	7484	8774	9810	10796	11832	13422	14286	15331	16750	17763	18624	19368
1621	4780	6168	7491	8780	9814	10815	11834	13424	14288	15343	16784	17768	18625	19374
1626	4782	6170	7492	8794	9819	10828	11839	13429	14294	15345	16843	17769	18626	19387
1628	4783	6171	7504	8797	9820	10829	11844	13433	14308	15357	16844	17776	18627	19389
1863	4807	6182	7505	8818	9828	10831	11849	13434	14310	15361	16850	17777	18629	19393
1864	4811	6189	7506	8829	9830	10835	11851	13442	14312	15371	16855	17779	18634	19395
1865	4820	6194	7507	8830	9833	10837	11858	13445	14314	15376	16863	17782	18683	19397
1870	4823	6196	7511	8831	9835	10840	11859	13454	14317	15381	16864	17783	18685	19398
2048	4847	6203	7518	8840	9866	10842	11863	13455	14318	15383	16865	17785	18767	19399
2074	4848	6214	7521	8851	9868	10843	11870	13456	14319	15390	16869	17789	18769	19401
2080	4849	6224	7542	8904	9901	10846	11872	13460	14320	15397	16870	17791	18772	19402
2146	4868	6275	7553	8907	9906	10847	11873	13461	14323	15398	16873	17794	18791	19409
2237	4894	6279	7574	8910	9908	10863	11881	13465	14332	15400	16876	17856	18809	19412
2380	4898	6285	7575	8911	9910	10866	11897	13470	14338	15403	16877	17857	18877	19413
2381	4904	6290	7581	8912	9916	10867	11899	13476	14344	15404	16878	17859	18878	19416
2544	4905	6293	7583	8920	9924	10869	11900	13487	14352	15406	16885	17877	18887	19418
2550	4926	6295	7590	8926	9930	10870	11906	13499	14354	15407	16887	17884	18893	19420
2564	4934	6296	7599	8931	9937	10876	11908	13505	14360	15408	16909	17889	18918	19423
2572	4938	6297	7601	8933	9939	10884	11912	13506	14361	15411	16920	17892	18920	19424
2573	4939	6300	7607	8937	9940	10886	11923	13511	14368	15430	16921	17893	18921	19426
2576	4940	6301	7608	8938	9942	10889	11927	13521	14369	15441	16925	17894	18922	19430
2579	4947	6302	7609	8939	9943	10906	11928	13531	14374	15442	16935	17897	18924	19432
2582	4949	6303	7611	8940	9946	10907	11929	13539	14376	15452	16940	17898	18942	19433
2585	4951	6306	7613	8945	9947	10920	11930	13546	14377	15453	16944	17901	18943	19443
2668	4952	6308	7614	8948	9950	10923	11931	13548	14394	15455	16945	17910	18960	19444
2669	4953	6318	7616	8960	9952	10943	11942	13549	14396	15473	16947	17911	18961	19446
2684	4958	6360	7618	8961	9953	10952	11978	13550	14397	15476	16950	17916	18962	19449
2800	4959	6370	7620	8962	9956	10954	12009	13552	14401	15477	16952	17918	18975	19451
2841	4960	6383	7624	8975	9959	10956	12034	13560	14402	15478	16953	17926	18978	19452
2844	4967	6462	7626	8977	9961	10958	12071	13561	14404	15482	16954	17931	18979	19454
2848	4996	6464	7630	8983	9984	10961	12114	13562	14405	15484	16957	17935	18984	19461
3027	4997	6470	7632	8984	9965	10962	12118	13566	14407	15487	16962	17937	18990	19471
3045	5014	6472	7633	8988	9991	10963	12122	13573	14408	15650	16968	17940	18991	19473
3046	5016	6566	7635	8990	9993	10969	12126	13574	14409	15652	16979	17955	19149	19474
3049	5017	6570	7636	8991	9994	10972	12192	13575	14413	15675	16993	17962	19157	19479
3150	5024	6576	7655	8992	9996	10974	12200	13581	14425	15677	16994	17963	19162	19480
3160	5031	6577	7656	8998	10038	11020	12201	13588	14428	15687	17001	17970	19163	19482
3343	5064	6580	7657	9021	10044	11133	12202	13592	14436	15688	17006	17974	19164	19486
3346	5073	6583	7668	9023	10067	11135	12610	13593	14439	15692	17007	17978	19168	19505
3355	5074	6591	7682	9026	10084	11327	12621	13612	14454	15699	17032	17979	19171	19509
3358	5078	6592	7687	9029	10088	11341	12623	13613	14467	15704	17042	17982	19173	19510
3365	5081	6594	7713	9030	10090	11354	12664	13620	14471	15713	17089	17989	19174	19511
3366	5097	6599	7715	9049	10093	11359	12669	13621	14474	15714	17095	18040	19176	19513
3368	5098	6617	7718	9057	10094	11361	12670	13630	14478	15715	17100	18051	19178	19514
3383	5106	6621	7720	9061	10099	11362	12671	13632	14482	15716	17101	18057	19181	19522
3385	5112	6625	7736	9066	10101	11363	12674	13633	14486	15718	17111	18058	19182	19524
3419	5123	6627	7739	9076	10102	11364	12675	13634	14487	15720	17120	18060	19183	19526
3423	5143	6630	7746	9078	10107	11365	12676	13649	14488	16042	17127	18067	19186	19530
3427	5144	6633	7749	9079	10123	11367	12685	13653	14494	16043	17135	18068	19187	19547
3433	5149	6643	7799	9082	10124	11369	12694	13655	14495	16048	17137	18070	19191	19548
3440	5153	6645	7810	9095	10151	11371	13106	13658	14497	16050	17154	18075	19192	19549
3441	5157	6651	7811	9096	10153	11402	13112	13662	14499	16052	17158	18082	19193	19558
3530	5213	6686	7818	9106	10158	11403	13113	13664	14500	16053	17161	18083	19197	19560
3536	5217	6694	7830	9108	10160	11409	13115	13673	14503	16059	17162	18084	19199	19565
3540	5223	6696	7834	9109	10174	11414	13132	13691	14509	16085	17167	18088	19200	19569
3548	5225	6706	7837	9111	10235	11415	13133	13692	14524	16086	17168	18095	19202	19576
3570	5230	6708	7841	9114	10249	11418	13136	13698	14532	16087	17171	18097	19203	19577
3572	5233	6722	7842	9116	10267	11424	13142	13707	14533	16092	17173	18098	19205	19578
3750	5235	6728	7843	9117	10269	11427	13143	13712	14542	16093	17174	18106	19206	19579
3755	5236	6731	7844	9128	10283	11429	13145	13714	14543	16094	17176	18107	19207	19581
3765	5238	6745	7845	9147	10286	11447	13146	13715	14544	16095	17178	18123	19210	19589
3768	5241	6752	7852	9148	10291	11449	13151	13718	14545	16100	17187	18125	19211	19592
3770	5245	6766	7891	9150	10313	11450	13153	13722	14546	16118	17190	18128	19212	19594
3776	5246	6769	7892	9155	10393	11463	13173	13724	14547	16124	17191	18156	19214	19598
3779	5247	6775	7898	9162	10415	11468	13180	13725	14550	16125	17195	18167	19215	19601
3807	5248	6777	7899	9190	10419	11500	13182	13731	14551	16127	17207	18171	19218	19602
3808	5258	6823	7902	9258	10421	11504	13216	13734	14552	16128	17212	18174	19221	19603
3815	5264	6824	7911	9264	10438	11518	13218	13738	14553	16147	17215	18175	19223	19607
3897	5265	6826	7914	9267	10445	11528	13221	13740	14554	16149	17216	18179	19231	19608
3906	5268	6832	7983	9330	10450	11529	13232	13745	14555	16150	17224	18184	19233	19613
3911	5292	6833	7984	9338	10451	11534	13237	13763	14565	16151	17229	18185	19234	19627
4218	5305	6878	7991	9342	10453	11536	13240	13767	14566	16160	17230	18186	19235	19638
4220	5342	6880	7994	9349	10456	11537	13241	13774	14568	16162	17241	18193	19240	19641
4223	5343	6931	8005	9352	10459	11538	13252	13776	14570	16176	17327	18197	19241	19646
4265	5350	6932	8008	9353	10460	11539	13254	13778	14572	16178	17337	18203	19243	19647
4312	5355	6939	8015	9356	10474	11540	13255	13779	14573	16184	17345	18222	19246	19648
4313	5358	6940	8020	9357	10481	11545	13261	13784	14576	16188	17374	18223	19249	19654
4314	5374	6948	8032	9359	10483	11548	13270	13785	14583	16190	17410	18227	19251	19658
4317	5386	6956	8034	9371	10485	11563	13276	13788	14589	16192	17414	18228	19259	19659
4323	5389	6957	8035	9374	10493	11564	13282	13795	14715	16194	17417	18232	19261	19660
4324	5393	6965	8061	9378	10501	11566	13283	13797	14721	16203	17431	18235	19262	19661
4330	5394	6972	8064	9395	10502	11570	13284	13799	14947	16217	17436	18236	19268	19673
4336	5406	6976	8075	9427	10508	11573	13286	13817	14951	16226	17437	18241	19271	19685
4378	5408	7010	8086	9428	10513	11578	13290	13824	14952	16230	17439	18242	19278	19850
4391	5409	7012	8088	9430	10519	11586	13291	13825	14953	16349	17442	18251	19282	19853
4399	5410	7015	8098	9482	10520	11590	13293	13828	14956	16350	17448	18252	19292	19856
4401	5413	7018	8102	9485	10532	11593	13301	13831	14958	16351	17533	18258	19296	19858
4403	5420	7038	8111	9486	10540	11595	13305	13835	14960	16354	17589	18260	19297	19879
4404	5736	7047	8112	9481	10598	11596	13312	13838	15006	16365	17626	18261	19298	19902
4406	5748	7169	8144	9485	10599	11597	13314	13840	15007	16368	17632	18262	19299	19906
4408	5749	7331	8145	9487	10654	11600	13316	13841	15009	16388	17635	18283	19303	19930
4453	5753	7340	8152	9489	10656	11602	13319	13848	15013	16385	17639	18284	19305	19941
4455	5754	7344	8162	9491	10658	11607	13320	13850	15022	16386	17643	18285	19312	19942
4456	5756	7346	8228	9494	10664	11608	13325	13851	15042	16388	17648	18288	19317	19943
4653	5758	7353	8232	9496	10667	11611	13329	13853	15043	16511	17654	18289	19320	19944
4658	5762	7360	8282	9499	10669	11631	13342	13854	15045	16514	17659	18301	19325	19951
4659	5766	7363	8283	9500	10671	11673	13343	14235	15046	16558	17661	18303	19328	
4667	5767	7388	8280	9508	10698	11679	13344	14243	15050	16560	17664	18304	19329	
4678	5795	7390	8298	9564	10699	11692	13350	14249	15058	16562	17666	18308	19330	
4691	5818	7391	8318	9568	10703	11694	13351	14252	15199	16563	17668	18312	19332	
4695	5820	7408	8323	9569	10715	11696	13356	14255	15219	16564	17694	18322	19333	
4698	5828	7415	8345	9571	10720	11705	13367	14256	15220	16565	17699	18333	19335	

Debentures herein designated for redemption will become due and payable at 100% principal amount thereof in U.S. Dollars at the office of Bankers Trust Company, Corporate Trust and Agency Group, Four Albany Street, New York, New York 10006 and at its office in London, Dashwood House, 69 Old Broad Street or at the option of the holder, at the main office of Citibank, N.A. in Frankfurt/Main; the main office of Banque de Paris et des Pays-Bas in Paris and the main offices of its affiliates in Amsterdam, Brussels and Luxembourg, and the main office of Banca Commerciale Italiana in Milan, upon presentation and surrender of said Debentures accompanied by all coupons appertaining thereto maturing after March 1, 1985. Payment outside New York City will be made by check drawn on a dollar account, or by transfer to a dollar account maintained by the payee, with a bank in New York City. Coupons maturing March 1, 1985 or prior thereto should be detached and presented for payment in the usual manner. On and after March 1, 1985, interest on the Debentures herein designated for redemption shall cease to accrue. All payments are subject to receipt of the necessary funds.

GENERAL MILLS FINANCE N.V.
(now General Mills, Inc.)
By: Bankers Trust Company, Trustee

January 31, 1985

Costa Rica leads boycott of talks with Contadora

BY ROBERT GRAHAM IN PANAMA CITY

HOPES FOR an international agreement on a peace plan for Central America suffered a major blow yesterday when a scheduled meeting here of the four-national Contadora group with five countries of the —?——?— was abruptly called off.

Deputy foreign ministers of the four Contadora countries (Mexico, Panama, Colombia and Venezuela) bad been expecting to meet their counterparts from five Central American republics in a bid to agree a new draft of tha regional peace plan.

The Costa Rican Government, supported by Honduras, El Salvador and Guatemala, refused, however, to attend. The Costa Ricans announced they were boycotting the meeting because of Nicaraguan treatment of a young Nicaraguan draft dodger, Sr Jorge Urbina Lara, who was arrested on December 24 by Nicaraguan police outside the Costa Rican embassy in Managua where be had sought asylum. The Costa Rican Government has charged Nicaragua with violating its embassy, an accusation rejected by Nicaragua.

The Costa Ricans have threetened to continue their boycott of the Contadora process until tha case of Sr Uurbina, who has been sentenced to five years imprisonment by the Nicaraguan Government, is resolved to their satisfaction.

Contadora depnty foreign ministers met yesterday despite tha cancellation to consider the future action, but were gloomy about when any dialogue could be resumed.

Sr Victor Hugo Tinoco, the Nicaragual Depnty Foreign Minister, who arrived here late on Wednesday only to discover the meeting cancelled, warned of the consequences of Costa Rica's action. "If every Central American country adopts a similar stance to Costa Rica this will lead to chaos and anarchy in the Contadora process," he said. "This is a political boycott," he added.

During the past four months the Contadora group has been reworking e draft treaty after objections had been raised by El Salvador and Honduras to the articles regarding verification of troop levels and the presence of foreign military advisers. This was to have been the first meeting since October of the Contadora group.

The Organisation of American States rejected Costa Rica's application for it to consider the draft dodger's case and passed it on to the Contadora group for informal resolution. Nicaragua says it is willing to discuss the case but will not allow it to condition attendance at Contardora. "We have a hundred cases, more serious and valid, of violation of tha right of asylum by Costa Rica but we do not raise them because this shows a lack of political will in the peace process," Sr Tinoco said.

Reuters writes from Mexico: A statement by Nicaraguan Foreign Minister Miguel d'Escoto in Managua yesterday said tha U.S. had put pressure on Costa Rica to use the dispute to wreck Contadora meetings. Sr d'Escoto said tha Contadora peace effort is seriously affected by the irresponsible and bellicose policies of the U.S. Government.

Cancellation of the meeting provoked fears in Nicaragua of e U.S. invasion and yesterday's newspapers there carried announcements ordering youths batween the ages of 18 and 22 to report to military recruitment centres.

Argentine wage talks collapse

BY JIMMY BURNS IN BUENOS AIRES

THE ARGENTINE Government's attempts to secure broad political support for its anti-inflation strategy were facing collapse yesterday after talks with labour and business leaders failed to produce agreement on a prices and incomes policy.

Leaders of the main trade union organisation, the Peronist-controlled General Confederation of Labour (CGT) walked out of the talks on Wednesday night after rejecting the wage guidelines for this month set by the Government for the private and public sectors.

Labour leaders have been pressing for a 24 per cent increase against the 14 per cent offered by the Government. The additional 10 per cent demanded by the unions is the retroactive readjustment figure equivalent to the difference between the officially decreed wage increase in January and the actual inflation rate for that month. The consumer price index showed an increase of over 24 per cent in January, 10 percentage points above the target origina

The unions' wage claim has been eccepted in principle by the main employers' federation, the Union Industrial Argentina (UIA), but on the condition that companies be allowed to raise their prices above the 12 per cent monthly increase set by the Government. Argentine businessmen claim thet Government price controls established last year have eaten into their company finances

The Government's resistance to the claims of labour and business stems from the fear that unless there is restraint on prices and incomes, Argentina is running the risk of getting ceught in a dangerous inflationary spiral that could seriously undermine the country's commitment to the International Monetary Fund.

In the agreement with the Fund initialled in September, tha Government pledged to bring inflation down to 300 per cent by the end of 1985. It has since virtually accepted the impossibility of reaching that target given the background of an annual inflation rate of about 760 per cent.

Duarte may fail to win electoral majority

By David Gardner in San Salvador

PRESIDENT Jose Napoleon Duarte of El Salvador has probably lost any chance he had of winning a majority in legislative elections next month, following the Supreme Court's decision to declare unconstitutional his partial veta of the electoral law passed by the extreme right wing-dominated National Assembly.

Sr Duarte's chances are further diminished by clear signs that his U.S. backers would rather his Christian Democrats did not win an outright victory.

The embattled President and his closest aides believe that only through a decisive popular mandate next month will they be able to continue the peace talks Sr Duarte began with the country's powerful left wing rebels in October, aimed at ending five years of civil war.

Two rounds of talks have failed to bring Government and guerrillas any closer on substantive issues, instead highlighting the hostility of the far right and the army, and U.S. coolness towards the talks.

Further talks, which should have taken place last month, have been shelved until after the election. "The only way to confront the right, the army, and the (U.S.) embassy is with votes," a senior presidential aide commented last week.

The confrontation on electoral law arose after Sr Duarte vetoed two of its provisions. The first allows the three main right wing parties, spearheaded by Major Roberto D'Aubuisson's Arena party, to appear separately on ballot papers but have their votes counted as a coalition. This gets them more government funding and would, for example, win votes for the right wing National Conciliation Party, the former army front, which would not necessarily go to the neo-fascist Arena.

The second provision bans relatives of the President from office, putting paid to Sr Alejandro Duarte's chances of a second term as Mayor of San Salvador, the position his father used to launch his political career. The right has earmarked the mayoralty for the third party in their coalition.

Sr Duarte has put a brave face on the right wing-controlled Supreme Court's decision, saying that this was "the first time the army has stood by and allowed a crisis of this magnitude to evolve within political and judicial limits."

For its part, the U.S. is concerned that the far right retains a stake in the democratic system sufficient to attract it away from its traditionally violent methods of exercising power. "The best thing for El Salvador would be an even split (in the elections) . . . where both sides have to do business with each other," a Western diplomat explained.

The U.S. posture implicitly recognises, however, that the the right is operating a twin track strategy of pressure through the institutions coupled with the threat or actual use of violence, which last month reached levels not seen for two years.

The U.S., which has provided El Salvador with \$1.7bn (£1.5bn) in economic and military aid since 1980, has repeatedly intervened at decisive stages of the country's adoption of formal democracy in order to ensure the result it wants.

U.S. attempts to reassure allies over 'nuclear allergy' fears

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

THE REAGAN Administration is growing increasingly concerned at what officials are describing as an outbreak of "nuclear allergy" among its Western allies — a spreading aversion to almost any kind of involvement with American nuclear weapons.

Pentagon and State Department officials were reported yesterday to be trying to formulate a new policy to deal with the phenomenon in a way that would both reassure the allies and hold them to their existing nuclear commitments.

Tha first move took the form of a telegram sent to U.S. embassies abroad on Tuesday, intended to reassure the allies that they would be fully involved in nuclear decisions affecting them. The message reiterated that the deployment of U.S. nuclear weapons overseas would be "decided in conformity with Nato defence plans and in agreement with the states directly concerned," according to an extract published in yesterday's New York Times.

The telegram was reported to have been in response to recent disclosures of long-standing U.S. contingency plans for the deployment of nuclear depth-charges in Canada, Iceland, Bermuda and Puerto Rico in the event of a crisis. The plans were apparently unknown to the countries concerned.

While tha Administration has stressed that the Pentagon has no advance presidential authority to deploy the weapons, which would also require epproval by the other governments, the disclosures have caused widespread controversy in the countries concerned.

The Administration yesterday also confirmed that there were contingency plans for deploying nuclear weapons in the Azores, the Philippines, Spain and the British island of Diego Garcia in the Indian Ocean.

Washington's anxiety has been heightened by New Zealand's policy of refusing port entry to nuclear-powered ships and those capable of carrying nuclear weapons, which caused the cancellation of Anzus naval exercises earlier this month.

Under the new U.S. policy, Washington would be tough in demanding that the allies not distance themselves from American and allied nuclear operations, the officials said. While the Administration has said that it does not intend to punish New Zealand for its anti-nuclear policy, it has mada it clear that the country can no longer claim preferential treatment as a loyal ally.

In one of the first consequences of tha revised attitude towards New Zealand, the Administration was reported yesterday to be considering releasing low-priced surplus dairy products onto the world market. In the past, pressure for the agriculture department to unload some of the U.S. dairy stockpiles has been overruled so as not to hurt New Zealand.

U.S. officials believe that the anti-nuclear sentiment in allied countries is due to a combination of factors including the environmental movement, Soviet influence and the increasing belief that countries can have American military protection without the nuclear consequences. Other experts, however, have argued that the "allergy" is also the result of fears thta the Reagan Administration does not fully appreciate tha dangers of nuclear weapons.

Pressure mounts for early introduction of Star Wars

BY OUR U.S. EDITOR

THE WHITE HOUSE was yesterday reported to be resisting mounting pressure from within the Administration and the U.S. military to start introducing Star Wars technology earlier than originally envisaged under President Reagan's long-term plan for a strategic defence system against incoming Soviet missiles.

With technical research progressing faster than expected, some sectors of the U.S. Government were urging that the technology could start to be applied in a limited fashion to projects such as the land-based defence of U.S. missile silos or a "mini-defence" in Western Europe, the Washington Post reported.

The "mini-defence" scheme envisaged by some officials would protect command centres, ports and airfields in Western Europe against shorter-range Soviet tactical missiles. In the U.S. the technology would be used to defend some existing Minuteman intercontinental missile sites or future silos for the new MX missile.

U.S. officials said, however, that the White House did not want to make early commitments to pursuing such specific developments and would rather wait until research on the overall project was further advanced.

Under Mr Reagan's original plan, which he hopes will ultimately make nuclear weapons obsolete, a full-scale "shield" over tha U.S. was not envisaged until the turn of the century or later.

● A senior Soviet official yesterday warned that the U.S.'s insistence on pursuing its Star Wars space defence programme would torpedo forthcoming U.S.-Soviet arms control talks, Reuter reports from Geneva.

Mr Victor Israelyan, the chief Soviet delegate to the 40-nation Geneva disarmament conference, told a press luncheon: "We don't want it to happen but if the Americans press to negotiate on medium-range and strategic weapons and go ahead with the research and elaboration on the so-called Star Wars it would certainly torpedo the negotiations."

Robert Mauthner writes: U.S. officials in London said the newspaper report that the U.S. was considering a "mini-version" of the Star Wars anti-missile defence plan for Western Europe failed to take into account the long-term nature of the Strategic Defence Initiative (SDI). SDI was a research programme and speculation about its deployment was therefore premature by "a number of years."

The Ministry of Defence yesterday denied that American officials had met Government ministers in London to discuss a "mini-defence" system to be based in Europe, PA reports from London.

Shultz condemns envoy's 'slur' on career diplomats

MR GEORGE SHULTZ, U.S. Secretary of State, and the Union of Career Diplomats have condemned a U.S. ambassador's assertion that the U.S. Foreign Service "takes the guts (courage)" out of its employees, AP reports from Washington.

Mr Evan G. Galbraith, the ambassador to France and a Reagan political appointee, caused a stir on Wednesday when he declared that political appointees make better ambassadors than career diplomats.

"When he says it takes the guts out of people, somebody ought to tie his tongue for him," an angry Mr Shultz said in an interview with Voice of America.

The American Foreign Service Association, which represents the nation's 3,700 career diplomats, denounced the "gratuitous insults (of) the very people who have done their best to keep him (Galbraith)—and by extension the U.S. out of trouble over the past several years."

Mr Galbraith's remarks, published Wednesday in the New York Times, touched off a controversey fuelled by the traditional resentment career officers have toward political apointees.

"There's something about the Foreign Service that takes the guts out of people," Mr Galbraith, who is leaving his post in July, was quoted as saying in the article. "The tendency is to avoid confronting an issue."

Pentagon seeks sharp rise in secret funds

THE PENTAGON has asked Congress for a nearly 10-fold increase in "black" (secret) budget funding for its new stealth cruise missile next year, according to figures from a private research group, Reuter reports from Washington.

The Centre for Defence Information, an independent group often critical of military spending, said it estimated funding requests for the missile, designed to be invisible to enemy radar, at \$662.9m (£608m) in 1986 and \$934.8m in 1987. This year's figure is \$75.5m.

The money is part of what is known as the Pentagon's black budget—funds known only to a few select Congressmen.

Reagan 'has not conquered inflation yet'

A BIPARTISAN group of former government officials says it is too soon for President Ronald Reagan to declare he has conquered inflation, AP reports from Washington.

"The reduction of inflation to the neighbourhood of 4 per cent is in no sense a victory," said a statement issued yesterday by Mr Henry H. Fowler, Treasury Secretary under President Lyndon B. Johnson, and Mr Herbert Stein, chairman of President Richard Nixon's Council of Economic Advisers.

They are co-chairmen of the Committee to Fight Inflation, a bipartisan group of 14 former government officials formed in 1980.

In his budget message to Congress on February 4, Mr Reagan noting that consumer prices in 1984 rose 4 per cent, said: "Inflation remains well under control."

Two days later, in his State of the Union address, the President said "The best way to reduce (budget) deficits is through growth."

Mr Fowler and Mr Stein disputed both statements, while adding that the prospects of continued high budget deficits is a major threat to reducing inflation.

The river of federal red ink, now running at more than \$200bn (£183.4bn) a year, could force the Government to deal with the debt through inflationary policies, such as simply printing more money to cover the shortfall, the analysis said.

"This possibility represents the ultimate inflationary threat inherent in the federal deficit and it alone would warrant a strenuous effort to bring the budget under control," Mr Fowler and Mr Stein said.

A 4 per cent inflation rate appears low compared to the rates in the 1970s, which ranged as high as 13.3 per cent in 1979, they said. But: "It is well above the average rate of 1.5 per cent that prevailed between the Korean War in the early 1950s and the outbreak of the Vietnam War in the middle 1960s."

The analysis said a continued 4 per cent inflation rate could seriously damage the economy

French banks urge Thomson to start making 'smart' card

BY DAVID MARSH IN PARIS

THOMSON, the French electronics group, could enter an expanding market to produce sophisticated electronic "smart" cards for financial transactions as a result of pressure hy French banks to widen the number of suppliers.

The banks are due to decide next week on the first large-scale order for the microprocessor-containing cards, at present manufactured mainly by Bull, the nationalised French computer group and Philips of the Netherlands.

The banks' decision, to order up to 2.5m cards for dispersal in four regions of France, has been keenly awaited in view of the large domestic and foreign orders expected for smart card technology in coming years.

Vica, the international credit card organisation, has just decided along with the French Carte Bleue network and Bank of America to launch a study of the possibilities of smart card use in the U.S.

The rival international card group Mastercard, meanwhile, has been in contact with Casio of Japan about possibly adopting a rival Japanese smart card system.

The smart card—a small piece of plastic with the same dimensions as ordinary credit cards—contains a one-chip in-built microcompnter which executes programs and stores information. This allows applications in a variety of areas including cashless shopping and other financial transactions, identity controls and storage of personal data.

The card was invented by a Frenchman 10 years ago. But its commercialisation in France has been beld up by Industrial and financial wrangling over the past few years.

The price of smert cards, which np to now have been used mainly for relatively small pilot projects in France and abroad, is currently around FFr 65 (£5.10) apiece for small quantities.

Bull maintains that the unit price for larga orders will fall to a more reasonahle FFr 30 as it builds up production. It has the capacity to turn out around 1.2m cards a year under existing production srrangements, although output last year was only around 70,000 to 90,000.

The banks, however, believe that encouragement of another French supplier in the shape of Thomson would help the price to fall more sharply.

Thomson's Eurotechnique semi-conductor division, based near Aix en Provence in the south of France, already produces some ancillary bardware for smart cards, although not of the type made by Bull.

Thomson said yesterday that it had no project at the moment to make the whole card, bul pointed out that it would be a relatively simple matter—involving subcontracting for the plastification process—if there was demand for another supplier.

Exim Bank seeks loan change

BY NANCY DUNNE IN WASHINGTON

THE U.S. Export-Import Bank has launched a campaign for support within a sceptical American business community for proposals to eliminate all direct lending from its arsenal of export financing weapons.

In place of the lending programme Mr William Draper, the Eximbank chairman, has convinced administration budget cutters to allow the bank to spend $136m from its own resources to subsidise commercial rates to the minimum level agreed on with the Organisation for Economic Cooperation and Development.

The bank would also increase its credit guarantees from $10bn in fiscal 1985 to $12bn in fiscal 1986.

In meetings with exporters and manufacturers Mr Draper is insisting that the bank "hasn't lost any muscle at all" through the new scheme called "I-Match." He says the $136bn in subsidies will support $1.8bn in export financing during fiscal 1986.

Eximbank has $3.8bn budgeted for direct lending in 1985 and the business community, although supporting the effort to reduce the budget deficit, seems unlikely to swallow the programme whole.

Car quotas 'cost U.S. consumers $16bn'

By Stewart Fleming in Washington

The four-year programme of voluntary restraints on Japanese car exports to the U.S. has cost American consumers almost $16bn (£14.8bn) in higher car prices according to a study of the car quota system.

The study was prepared by the International Trade Commission, the Government agency responsible for the application of U.S. trade laws.

Tho report, prepared for the House of Representatives Ways and Means Committee, seems destined to intensify the controversy about whether the quotas should he renewed for a fifth year when they expire at the end of March.

Renewal

The Reagan Administration, which is pressing Japan for liberalisation of key domestic markets to help stimulate U.S. exports to Japan, is in the midst of an internal policy debate abont the renewal of the car quotas.

The ITC says that prices of both domestic and Japanese cars, new as well as second hand, have been higher as a result of tho constraints put on Japanese car imports.

It also supports the argument that the profitability of Japanese car manufacturers has been increased in other ways as a result of the quotas, in particular as a result of a shift in the mix of cars being exported to the U.S. in the direction of more expensive, luxury vehicles.

Efficient

The report, which makes no policy recommendations but which seems to strengthen the case that the U.S. is losing more than it is gaining from the quotas, also says that the U.S. car industry has become more efficient since the quotas were imposed.

But it estimates that in the past year if quotas had not been in place, Japan would hava been able to sell almost 1m more vehicles in the U.S. The qnotas limit Japanese car sales to around 1.8m units.

Tony Walker looks at international bidders for a power plant deal

Egyptian nuclear race enters last lap

WEST GERMAN business and economic forces are building up their efforts this weekend to win the contract race against interests for Egypt's first nuclear reactor.

The German effort, which takes place after a strong bid by the French, is being spearheaded by the visit of Herr Martin Bangemann, the German Economy Minister.

Herr Bangemann will, no doubt, convey the first-hand news to Egyptian officials of the recent Cabinet approval of a DM 2bn (£557m) credit facility to ba provided by the Hermes export credit agency to support the projected bid by Kraftwerk Union (KWU).

The company is on an effective short list of three for the contract to build the Arah world'a potentially first functioning nuclear reactor.

The olber bidders are Westinghouse of the U.S. with Mitsubishi Heavy Industries of Japan and Framatome of France at the head of a Franco-Italian consortium. All contenders are receiving support from their respective government agencies as talks with Egypt's nuclear power plants authority, NPPA, enter a final phase.

Hermes' support for KWU significantly improves the chances of the West German contender whose proposal on price, at least, is the most competitive. Adding weight to the KWU hid against Westinghouse is that Hermes credit-backing is approximately double that offered by the U.S. Eximbank of up to $300m.

KWU and Westinghouse are proposing single 1,000 Mw pressurised water reactors (PWR) at a cost respectively of about $1.1bn and $1.5bn. Westinghouse is having trouble remaining price competitive partly because of the strong U.S. dollar.

The Framatome-led consortinm with Italy'e Ansaldo group is offaring twin 1,000 Mw PWRs at a cost of about $2.5bn with credit backing from French and Italian authorities of about $1.5bn.

After months of manoeuvring, it appears Egypt is finally heading towards a decision in favour of a nuclear industry to relieve pressure on its oil reserves and make up for a looming serious shortfall in its power generating capacity.

Mohamed Maher Abaza, Egypt's Electricity Minister, who has been predicting approval of the first nuclear reactor for more than a year, said last week that a committee established to review the options would decide in May.

In the meantime, the contenders will go through a second round of technical clarification talks next month. The NPPA is to make a recommendation based on those discussions and a review of written material to a high-level Government committee which would issue a letter of intent. The first round of clarification talks were held in December.

Dr Kurt Pfeiffer, KWU's Cairo representative, said his company was now discussing with partners in the turnkey project, including companies from Austria and Switzerland, final bidding details for the March talks.

Hermes approval, he said, had come "just at the right time" for KWU, which is also a final contender for a nuclear power plant in Turkey and bas several projects underway in South America.

Dr Pfeiffer said the U.S. Export-Import Bank's decision last year to support the Westinghouse bid apparently influenced European bankers. Eximbank had initially refused application for credit-backing on grounds that the proposed El-Dabaa plant on the Mediterranean coast 160 km west of Alexsndria, was a bad investment because of artificially low Egyptian electricity tariffs.

Egypt's nuclear programme envisages construction of eight units hy the year 2005 at an estimated cost of some $36hn. Foreign experts believe the Egyptian programme to be impossibly ambitious and say it is unlikely the first reactor would be in service much before the mid-1990s.

But the strong demsnd for electric power—electricity use is growing at about 10 per cent a year—and increasing domestic oil consumption make it almost imperative that new energy sources be tapped.

Egypt's special fund from oil revenues for a nuclear industry stands at more than $700m which, when malched with either the Hermes or French-Italian export credits, would be sufficient for what would be the country's most ambitious engineering project since the construction of the Aswan high dam in the 1960s.

Executives of nuclear companies involved in hidding would be surprised if the final stages of negotiations proceed smoothly and a decision is announced in May. As one said: "It's a long race . . . to my mind, it is going to be a marathon."

U.S. warned on hi-tech controls

BY CHRISTIAN TYLER, TRADE EDITOR

STRICT U.S. controls on tha export of American technology could hamper European and Japanese collaboration in the U.S. space station project, a British MP claimed yesterday.

Mr Spencer Batiste, secretary of the House of Commons space technology committee, said the Pentagon's fear of technology "leaks" to the Soviet hloc was seen by the 11-nation European Space Agency as one of the biegest problems.

Mr Batiste, Conservative MP for Elmet, Leeds, said export controls operated by the U.S. Department of Commerce but supervised by the Pentagon, could greatly restrict the transfer of American know-how to its partners in the project.

The U.S. National Aeronautics and Space Administration (Nasa) is keen to inclnde European and Japanese technology and the funds that would go with it. But the Pentagon's determination to contain the spread of advanced U.S. technology to possible enemies has increased greatly under the present U.S. Administration.

Mr Batiste outlined the problem at a cooference in London yesterday to discuss U.S. export control of computer equipment and the operation of the new list of allegedly strategic goods drawn up hy Nato countries and Japan.

Mr Batiste said the extra-territorial reach of U.S. export laws could also present s problem for Britain'a Alvey programme, the Government-backed drive to develop British expertise in the so-called fifth generation of computers.

A number of U.S. companies in Britain were joining the Alvey programme. That raised the question whether the U.S. would challenge Britain's right to use freely the resnlts of research in which some U.S. technology had been involved.

Mr Batiste claimed that it was a widely held view in Europe that the U.S. had greatly exaggersted the strategic threst and had presented "highly misleading" slatistics in the last round of Nalo negotiations.

Mr Paddy Ashdown, Liberal MP for Yeovil, told the conference that the Nalo committee's deliberations should be opened to national parliaments and lo industry.

All non-military items should be removed from the list, export licensing approval should be speeded up, and national discretion should be clarified.

The West Enropean countries formally accepted President Reagan's invitation to join the orbiting space station project at a ministerial meeting in Rome at the end of January.

If their part of the project is approved, the European agency could spend $2bn (£1.85bn) over the 10 years on top of the $8bn committed by the U.S.

Lubricant sales in Europe '£1bn a year'

By Maurice Samuelson

SALES of industrial lubricants in lhe major European countries exceed £1.2hn a year, witb more sopbislicated products gaining ground despite the fall in volume.

This emerges from an encyclopaedic study of the markets for specialised industrial lubricants in seven European countries.

The study, selling at £18,000 a copy, was carried out by Industrial Market Research (IMR), part of the London-based AGB Researcb Group.

The report, which excludes oils used in the transport sectors, looks at the market for industrial lubricants in West Germany, France, the UK, Ilaly, Sweden, the Netherlands and Belgium.

The Morket for Industrial Lubricants, eight volumes, (IMR, Kew Bridge House, Kew Bridge Road, Brentford, Middlesex TW8 0ED); £18,00,

Alfa-Laval wins order for world's largest dairy

By Kevin Done, Nordic Correspondent, in Stockholm

ALFA-LAVAL, the Swedish process engineering and farm equipment group, has won an order from the Soviet Union for the world's largest dairy in a contract worth sround SKr 200m.

The dairy will be localed at Lianozovo close lo Moscow. Work will start after the summer and is due to be completed dnring 1987. The plant will have a capacity for producing 1.2m litres of milk a day.

The deal was concluded during a visit to Moscow hy Mr Mats Hellström, Swedish Foreign Trade Minister.

Sweden is running a large deficit in its trade with the Soviet Union, and the volume of its exports to the USSR haa been falling since the end of the 1970s.

Swedish exports in 1983 lotslled only SKr 2.2hn, while imports from the Soviet Union —chiefly crude oil and oil products—totalled SKr 7.3bn.

Relations between Stockholm and Moscow bave been strained as a result of repeated Soviet violations of both Swedish air-space and terrilorial waters, but the Swedish Government is keen to improve conlacts witb Moscow and expand trade.

Mr Hellström is the second Swedisb minister to visit Moscow aince tbe aulumn.

He has signed a protocol on export credits this week during tbe visit in which the Soviet Union has for the first time formally declared its interest in credits from Sweden in currencies other than the Swedish Krona, where interest rates are a handicap for Swedish exporlers.

Negotlations on an export credit agreement between the two countries are to be continued in Stockholm next month.

Sweden has also signed a treaty wilh Moscow aimed at increasing its cross-border trade with the north-west region of the Soviet Union.

Swedish companies can now negotiate directly with the foreign trade organisation Lenfintorg in Leningrad by-passing Moscow in producls such as consumer goods, building materials, food and lextiles, particularly for sale to the Murmansk region.

UNCERTAINTY OVER BONN'S EMISSION CONTROL LAWS LEADS TO DROP IN DOMESTIC ORDERS

Germans to boost car sales in Britain

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE SHARP downturn in car sales in West Germany threatens to spill over into Britain and end an uneasy truce in the price war which seems to have beeo declared by the main protagonists, Ford and General Motors, the Vauxhall-Opel group.

Uncertainties in Germany about the Government's intentions to impose emission controls on cars have led to such a big drop in orders that manufacturers are attempting to compensate by increasing exports to other European markets.

For example, BMW's UK subsidiary bas changed its tactics for 1985 and aims to boost sales by nearly 20 per cent from 25,800 to 30,000 cars. Previously the year was to have been one of consolidation because there was no more output to be squeezed from the German factories.

Mr Paul Layzell, managing director of BMW (GB) says the fall in demand in Germany enabled the company to change its mind about providing Britain with more cars.

The Volkswagen-Audi group has also been putting pressure oo its independent UK importer, part of the Lonrho group, to take more cars this year. However, VAG (UK) has resisted because it feels the current high interest rates will continue for some time and depress car sales in Britain.

Ford and General Motors are also big importers from Germany but they are being carefully monitored by the UK Department of Trade and Industry because they have promised to increase the number of British-built cars among those they sell in the UK.

Ford and GM have both recently moved away from the highly aggressive marketing tactics which helped to turn the British car market into one of the most competitive in the world.

There is increasing evidence that the U.S.-owned groups have switched the emphasis slightly from achieving very high volumes towards improving margins of profit.

Ford has been increasing its list prices et twice the rate of inflation – there was a 3.95 per cent increase on February 1 which followed one of 3.7 per cent last August.

GM, which held back for two months last year before following Ford's price lead, stepped in very quickly with a 4.1 per cent increase on Monday this week. This means that GM has put up car prices by 7.83 per cent since October 18; in line with Ford's 7.9 per cent since August.

Ford still insists, however, that it wants to keep its UK market share within sight of 30 per cent (it was 27.83 per cent last year) while Mr John Fleming, Vauxhall's chairman, maintains that his prime objective is to achieve sales of 315,000 cars and an 18 per cent market share in 1985 (against 16.17 per cent last year).

● Every one of BL's commercial vehicle productioo companies suffered a substantial fall in output last year.

This enabled Ford to increase its lead as the major producer in the UK, even though Ford's output slipped slightly again in 1984.

General Motors' Bedford subsidiary also contributed to the general downturn in commercial vehicle production which in 1984 fell to the lowest level for 35 years.

COMMERCIAL VEHICLE PRODUCTION

	1983	1984
BL		
Austin Rover	25,147	18,039
Land Rover	30,093	25,604
Freight Rover	18,152	16,843
Leyland	12,810	12,032
Total BL	86,202	75,571
Ford	98,843	94,211
General Motors (Bedford)	51,478	47,007
Reliant	214	178
ERF	1,536	1,876
Foden	630	709
Hestair Dennis	788	978
Metro-Cammell-Weyman	402	494
Renault Truck Industries (Dodge/Renault)	4,707	4,770
Seddon Atkinson	1,264	1,845
Others	450	239
Total	244,514	224,825

Source: Society of Motor Manufacturers and Traders

Shell/Esso to extract further Leman gas

BY DOMINIC LAWSON AND MAURICE SAMUELSON

THE GOVERNMENT yesterday gave the Shell/Esso North Sea partnership approval for a £286m plan to extract additional gas from Leman, the UK's largest gas field 31 miles off the Norfolk coast.

Recent drilling has identified additional recoverable reserves of 627bn cubic feet of gas in the Shell/Esso acreage in the north west area of the field.

The partnership plans to recover the gas by installing two new platforms (Leman F and G). Twenty five wells will be drilled from these platforms and the gas will be delivered from the existing Leman A platform.

The £7m contract for the jackets of the two platforms has been awarded to RGC of Methil, Fife on the east coast of Scotland. It will require a workforce of up to 200 people. Including the RGC order, contracts worth more than £12m have been placed so far and all have gone to UK companies.

Leman was discovered in 1966 and since production began in 1968 more than 68 per cent of the total reserves of 10.5 trillion cubic feet have been extracted. The field extends over five blocks in the Southern Gas Basin.

● Work will start next mouth on a £40m pipeline to carry oil products to the Midlands from Esso's refinery at Fawley near Southampton.

Initially ebout 1,500 people will be employed on building the 130-mile line which will join an existing pipeline system feeding terminals at Birmingham, Manchester and Nottingham.

Esso announced yesterday that it had awarded £15m worth of contracts for the first three stretches of the pipeline to Norwest Socea, Costain Spie-Copa and Cementation Pipeline and Mechanical Services.

The 14-inch diameter pipe will carry about 2m gallons a year of gas oil, kerosene, gesoline, aviation fuel and other products.

At present the products from Fawley are delivered to the Midlands via a pipeline running from Milford Haven on the coast of Wales, where they first have to be shipped on coastal tankers.

Esso no longer needs to do so now that it has closed its refinery at Milford Haven, although this route is still being used by Texaco and Gulf.

Esso's Fawley-Midlands pipeline has been manufactured by British Steel at Hartlepool, and is being coated in Scotland. Pumping and control equipment will also be provided by British companies.

The project brings Esso's announced refining and product distribution investment in Britain for the next two years to nearly £185m, in addition to its investment in the North Sea and other aspects of the oil industry.

● Esso is to join Texaco in withdrawing all price support from its petrol dealers. This amounts to an effective price increase of about 4p a gallon and a price of 191.9p a gallon for four star petrol.

Although other large retailers had previously said that they would follow Texaco's lead the move stood little chance of success unless Esso, which has more than 20 per cent of the market, followed suit.

Lafite sold for £940 per case at Christies

BY EDMUND PENNING-ROWSELL

CLARETS at yesterday's Christies sale did not produce the remarkably high prices of the last one a fortnight ago, but the wines auctioned were much more likely to have been in the possession of less affluent consumers and most came from private cellars.

On offer were wines of the 1970 vintage from more than 30 different chateaux. This vintage's very high opening prices largely created the boom at the beginning of the 1970s and contributed to its collapse two years later.

Widely bought after three moderate to poor vintages, the class growth are now within reach of maturity. But prices yesterday – while within the estimates – were seldom higher or as high as last year's best. This applied even to the first growths whose prices per case were: Petrus £1,750; Lafite £940; Mouton-Rothschild £780; Latour £880 and Margaux £640.

Then followed a wide gap between these and the prices of the seconds and their market equivalents: Ducru-Beaucaillon £340; Beychevelle £330; Leoville-Las-Cases £320; Montrose £280; Leoville-Barton £260; Cos d'Estournel £240; Pichon Baron £230 and Brane Cantenac, Canon Leoville-Poyferre and Pape Clement all £210.

Good prices per dozen were given for first-growth 1966s, although they were generally lower than last year's top prices: Petrus £1,950; Lafite £1,150; Mouton Rothschild £1,000; Latour £800; Margaux £800 and Cheval-Blanc £800.

Cost pressures halt plans to extend Tornado programme

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

PROPOSALS THAT Britain and Germany should build up to 100 more Tornado fighter bomber aircraft than were originally planned have been shelved because of pressures on the British defence budget.

The proposals to prolong the Tornado production line came from Germany late last year. They were put forward partly as a means of correcting an imbalance which has arisen in work sharing on the three-nation aircraft, under which Britain at present owes Germany £250m.

Both countries also want to extend the Tornado production lines to provide continued employment at the main Tornado plants after 1989, when orders of 809 aircraft for British, German and Italian airforces are due to be completed.

Britain and Germany estimate that they will need at least 40 new Tornadoes by the beginning of the 1980s to make up for expected losses through accidents.

The aerospace industries in both countries are particularly anxious that there should be no gap in production between the end of Tornado and the likely start-up on a new European fighter aircraft in 1992–93.

The most controversial aspect of the German proposals is the contention that the new Tornadoes should be used to correct the £250m imbalance. The House of Commons Public Accounts Committee said this week that the imbalance was the result of complex worksharing agreements which have led to Germany doing more work on the joint aircraft than Britain. The agreements provide for ultimate compensation in cash if the imbalance cannot be corrected through the creation of new work.

The issue has caused some friction between London and Bonn because, while Germany wants early compensation, the British Ministry of Defence is in no hurry to repay the money. It is estimated that each of Britain's Tornadoes is costing £1m less than envisioned while the imbalance lasts.

Private sector loans up

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

BANK LENDING to the private sector rose by £2.04bn in the four weeks to January 16, according to the latest figures from the Bank of England yesterday.

They suggested that the pace of bank lending has been accelerating since last autumn, with the average monthly increase after seasonal adjustment a £1.77bn in the five months to January, compared with just under £1bn per month in the previous five months.

The faster pace of private lending, added to a substantial overshooting of the public sector borrowing requirement expected for the present financial year underlines the Government's recent anxieties about control of the money supply.

Yesterday's figures showed that the sales of gilt-edged stocks up to January 16 were £630m, with total sales of Government debt at £1.01bn in the month.

This funding effort held the growth of sterling M3, the broad measure of money (including bank deposits and cash), to 0.7 per cent in the month.

Growth in the target period since February 1984 was kept at 10 per cent, right at the top of the Government's 6 to 10 per cent range. The heavy funding effort which followed the rise of interest rates to 14 per cent in the middle of last month was mostly outside the January banking month.

Bank system developed by Burroughs

By Alan Cane

BURROUGHS MACHINES, a large supplier of electronic banking equipment, yesterday launched the first of a series of products in a strategy which it hopes will secure its future in financial technology.

Among the products to be announced this year are a new range of banking terminals, integrated office automation and networking systems for back and front office applications in retail banks.

The product announced yesterday was a modular banking system called Global Wholesale Banking (GWB).

Developed in Burroughs' UK software development centre at Feltham, near London, the system has been written over several years at a claimed cost in excess of £5m.

It is a multi-currency, multilingual, international control system for money. The first system has already been installed at the South African international bank Nedbank and another six orders are expected to be confirmed soon. Mr Alistair Taylor, Burroughs' UK general manager, marketing, said be expected revenues of £5m from hardware and software sales of GWB in the first year. GWB systems cost from £200,000 to £2m.

Modules already available are foreign exchange, money markets, multi-currency general ledger, client accounting, commercial loans and Bank of England returns.

● Barclays Bank yesterday announced a new treasurer's workstation on which corporate treasurers will be able to inspect their Barclays accounts worldwide, transfer funds from one account to another and make payments automatically through the Clearing Houses Automated Payments Systems (Chaps).

Foster Wheeler

A TYPOGRAPHICAL error in yesterday's feature on Page 22 about the process plant industry resulted in the net income of Foster Wheeler, the large U.S. plant builder, being reported as falling from $64.3m in 1981 to $4.2m in 1983. The latter figure should have been $44.2m. We apologise for the mistake.

Telecom launches markets phone-in

By Jason Crisp

BRITISH TELECOM is launching six new phone-in business and city information services which will rival the existing "Cityline" services provided by the Financial Times.

The new BT services to be launched next week will be the first of a new category of pre-recorded "Supercall Services" from BT which will cost 20p a minute. Existing recorded services such as the speaking clock, FT Cityline, cricket scores, recipes and horoscopes are available at the price of a local call.

The FT Cityline service, which gives regularly updated information on the London and overseas stock exchanges, currencies, and commodities, has been running over 10 years and attracts over 4m calls a year. The service is run in conjunction with BT, which pays the FT a royalty on its call income for the service.

BT claims that the new and more detailed services will not compete with FT Cityline. However, the FT believes it will be clearly competitive. Mr Martin Brooks, director information services of FT Business Information said yesterday: "We welcome such competition provided it is on an open and fair basis."

The new service is being provided by a different section of BT. Citycall and other Supercall services are part of BT's Value Added Systems and Services division, which is itself part of British Telecom Enterprises. BT said yesterday: "We don't see any loss of customers for FT Cityline, which provides a very useful and basic service. The new Citycall service is for people who want a more precise update in specific areas."

The six planned Citycall services are: stock market report, latest prices of 30 leading companies, company results and announcements, the most active shares, foreign exchanges and world markets.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY—Indices of industrial production, manufacturing output (1980=100); engineering orders (1980=100); retail sales volume (1978=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unemployed	Vacs.
1983							
4th qtr.	103.3	98.1	100	109.9	151.4	2,941	162.0
1984							
1st qtr.	102.9	97.4	101	109.0	123.3	2,998	147.0
2nd qtr.	100.8	98.2	104	111.6	130.7	3,026	154.0
3rd qtr.	100.9	99.7	101	112.5	133.8	3,076	165.1
4th qtr.				115.1	164.0	3,103	166.5
August	100.4	100.0	88	111.3	132.8	3,074	162.0
September	101.9	100.3	113	114.3	134.3	3,086	170.0
October	103.2	100.0	109	113.6	140.3	3,100	170.5
November	103.0	100.9		114.4	150.2	3,102	167.6
December				117.0	194.1	3,108	161.3
1985							
January				112.6		3,126	157.2

OUTPUT—By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1980=100); housing starts (000s, monthly average).

	Consumer goods	Invst. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1983							
3rd qtr.	98.5	92.0	108.5	94.8	105.3	90.5	17.5
4th qtr.	99.0	93.6	110.2	96.4	110.4	93.0	15.9
1984							
1st qtr.	97.9	93.4	110.1	95.2	113.9	89.8	16.5
2nd qtr.	99.6	93.6	104.8	96.4	107.3	91.3	17.8
3rd qtr.	100.7	95.0	103.5	98.1	108.6	91.9	16.3
June	99.0	94.0	105.0	98.0	112.0	91.0	19.4
July	100.0	94.0	103.0	97.0	106.0	91.0	18.3
August	100.0	95.0	103.0	99.0	111.0	91.0	15.5
September	102.0	96.0	105.0	99.0	109.0	93.0	15.0
October	101.0	96.0	109.0	98.0	107.0	93.0	15.7
November	101.0	97.0	109.0	99.0	110.0	93.0	13.9
December							8.5

EXTERNAL TRADE—Indices of export and import volume (1980=100); visible balance; current balance (£m); oil balance (£m); terms of trade (1980=100); exchange reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Resv. US$bn*
1983							
4th qtr.	107.3	112.9	−221	+350	+2,099	97.7	17.82
1984							
1st qtr.	109.5	113.1	−123	+455	+2,323	97.3	16.75
2nd qtr.	108.3	117.9	−1,238	−320	+1,588	96.9	15.51
3rd qtr.	107.4	119.0	−1,565	−455	+1,739	96.8	15.26
4th qtr.	116.8	127.2	−1,212	+516	+1,618	96.3	15.52
August	111.6	123.6	−611	−241	+392	96.7	15.35
September	107.9	124.9	−778	−408	+589	96.8	15.26
October	115.6	133.1	−853	+75	+400	96.8	15.33
November	118.7	121.9	−152	+248	+386	96.2	15.50
December	122.0	126.6	−207	+193	+833	95.9	15.69
1985							
January							15.52

FINANCIAL—Money supply M0, M1 and sterling M3, bank advances in sterling to the private sector (three months' growth at annual rate); building societies' net inflow; HP, new credit; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank advances %	BS inflow £m	HP lending £m	Base rate %
1983							
4th qtr.	7.9	10.4	8.8	13.9	2,145	2,774	9.00
1984							
1st qtr.	4.1	10.1	8.2	13.6	2,608	2,860	8.50
2nd qtr.	4.6	24.5	11.1	18.9	1,795	2,870	9.25
3rd qtr.	4.3	10.2	6.2	9.6	1,628	2,808	10.50
4th qtr.	9.6	24.3	13.4	16.9	2,492	2,943	9.63
August	4.6	11.4	7.1	11.0	133	930	10.50
September	4.4	7.8	4.0	2.4	864	986	10.50
October	6.7	18.5	9.6	11.4	1,125	1,009	10.50
November	9.9	27.3	18.6	17.1	363	967	9.63
December	12.2	27.2	12.1	22.4	1,004	971	9.63
1985							
January					823		14.00

INFLATION—Indices of earnings (Jan 1980=100); basic materials and fuels, wholesale prices of manufactured products (1980=100); retail prices and food prices (1974=100); FT commodity index (July 1952=100); trade weighted value of sterling (1975=100).

	Earnings*	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	FT comdty.	Strlg.
1983							
4th qtr.	153.2	128.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1984							
1st qtr.	153.6	133.6	129.0	[illegible]	[illegible]	[illegible]	[illegible]
2nd qtr.	155.9	134.3	130.6	[illegible]	[illegible]	[illegible]	[illegible]
3rd qtr.	159.6	134.1	132.6	[illegible]	[illegible]	[illegible]	[illegible]
4th qtr.	[illegible]	140.1	134.3	[illegible]	[illegible]	[illegible]	[illegible]
August	158.4	134.2	131.8	[illegible]	[illegible]	[illegible]	[illegible]
September	159.9	135.2	133.3	[illegible]	[illegible]	[illegible]	[illegible]
October	164.3	137.9	133.3	[illegible]	[illegible]	[illegible]	[illegible]
November	163.0	139.0	133.9	[illegible]	[illegible]	[illegible]	[illegible]
December	[illegible]	143.4	134.9	[illegible]	[illegible]	[illegible]	[illegible]
1985							
January		144.7	135.9	[illegible]	[illegible]	[illegible]	[illegible]

* Not seasonally adjusted.

Sales upturn for Royal Doulton

BY JAMES McDONALD

ROYAL DOULTON, part of the Pearson group and the world's largest maker of bone china, is recovering from a four-year-old recession and is seeking additional workers to decorate its china products.

The company laid off 2,000 employees during the recession, but still has a workforce of 7,000 in the six towns around Stoke-on-Trent in central England which are famous for their pottery products. It is now seeking 150 additional decorators for its 12 factories.

"Sales have improved to such an extent that extra labour is now urgently required to cope with the increased orders rate, particularly from overseas markets," Royal Doulton said yesterday.

Sir Richard Bailey, the chairman, said: "At last week's fair at Birmingham orders taken were 50 per cent up on last year. We must make sure that we have the necessary production capacity to maintain the rapid and prompt delivery needed in today's internationally competitive climate."

Sir Richard pointed out that the jobs lost by the pottery industry during the recession was a leading factor in raising the area's unemployment rate, which now stands at 12.9 per cent.

"It is vitally important that we recruit young people with the necessary qualities and skills, since they will become our next generation of craftsmen and women on which the company's future prosperity and progress will depend," he added.

UK steel output drops sharply

UK STEEL output last month slumped to an average of 257,500 tonnes a week – 11.1 per cent below the level of the same month in 1984 – according to the latest figures from the industry, Andrew Fisher writes.

Production was hit by the relining of a British Steel Corporation blast furnace in South Wales and the fact that BSC plants in Teesside and Sheffield did not start full operations after the holiday period until the second week in January. The continuing miners' strike did not have any special impact on output.

Steel output in Wales was down to 80,400 tonnes a week last month, from 94,000 tonnes a year ago, caused by relining at one of the two Llanwern blast furnaces.

Although well down on the January 1984 weekly average of 289,700 tonnes, the January 1985 figure was not far short of that for the first month of 1983 (261,700 tonnes).

□ GOVERNMENT PLANS for a national commemoration to mark the 40th anniversary of the end of the Second World War were announced last night by Mrs Thatcher. She told MPs the Queen would attend a special service in Westminster Abbey on May 8 which would also involve the widest participation of people in Britain who contributed to the victory, plus ambassadors and high commissioners of all countries represented in London.

The Government also intended that a party of widows and veterans should make a pilgrimage to the Far East in remembrance of husbands and comrades who died. Dates have yet to be fixed.

□ GEC COMPUTERS, part of the General Electric Company, is laying off 160 of its 1,120 staff. The cuts are due to a fall in orders and delays in introducing a new range of minicomputers.

The cuts affect engineers, administrative and production staff at the company's two factories in Borehamwood, Hertfordshire, and Dunstable, Bedfordshire.

GEC Computers lost about £1.4m on turnover of about £23m in the year to April, according to Mr Paul Raynor, managing director.

Mr Raynor said the company had suffered a fall in its order book, due partly to the impact of defence expenditure reviews. Military sales account for about a third of its turnover. There was also a one-year delay in the launch of its top-of-the-range Series 63 minicomputer.

□ FORD has reached agreement with unions representing its 10,000 UK white-collar staff to introduce an employee involvement scheme. It will allow individuals and groups to take part in managerial processes including planning, goal-setting, problem-solving and decision-making.

□ BRITISH CALEDONIAN is launching cheaper European air fares which offer discounts to off-peak travellers. "Time Flyer" fares will be available for flights from May ranging from £69 return to Amsterdam and £84 to Frankfurt, with no advance booking restrictions.

The only condition is that travellers must stay abroad at least one night.

□ LUCAS ELECTRICAL, the vehicle components supplier, is closing its diecasting operation in Birmingham with the loss of up to 200 jobs over the next 12 months. Work will be transferred to independent suppliers in the West Midlands.

□ BRITISH RAIL confirmed it had dropped its support for a single bore rail tunnel under the Channel which it had proposed jointly with the French state-owned railway, SNCF.

Miners' union is offered fresh terms for peace

BY JOHN LLOYD, INDUSTRIAL EDITOR

THE EXECUTIVE of the miners' union will today be faced with a document drawn up between Mr Ian MacGregor, coal board chairman, and Mr Norman Willis, general secretary of the Trades Union Congress (TUC) which would, if accepted, stand as the agreement to end the 11-month-old dispute.

The document, which would serve as the agenda of a meeting between the national coal board (NCB) and the union is cast in the form of an agreement, and concentrates on the issue of the board's right to manage the industry, and to close uneconomic pits, the issue at the core of the strike. While the issue is not stated quite so badly, the language is unequivocal the NCB has the right and duty to close loss-making capacity.

It does, however, preserve the concept of "balance," in acknowledging that the NUM has the right to oppose board proposals to shut pits.

The document also proposes a six-month period after the dispute ends in which all parties in the industry collaborate in agreeing a new "Plan for Coal" to guide the industry's future.

The wording of this clause contains a formulation which suggests that trust and confidence must be built up once more between the two sides. It suggests that an amnesty for some of those dismissed for trivial offences might be considered – but at the discretion of local management, rather than as a blanket "right." Serious offenders will not be covered by an amnesty.

The draft agreement also sets out the new procedures for colliery review, as amended, by the agreement reached last October between the pit supervisors' union Nacods and the board, to include an independent element which would pronounce on disputed issues and to whose findings all parties would be pledged to give "due weight."

This represents the outcome of many hours of meetings between Mr Willis and Mr MacGregor and their senior officials, and is acknowledged by board officials to be a genuine effort by the TUC to reach a settlement. According to some senior officials, the board has agreed to the document with "reluctance" – but is confident that it can "sell" it to its political masters.

The categorical nature of the document raises doubts about its acceptability by Mr Arthur Scargill, the NUM president, who has been adamant that he will never sign an agreement which allows the board to close uneconomic pits.

Mr Willis and Mr Scargill were together in Paris yesterday to thank French unions for raising funds for the miners over the past 11 months.

A further 147 miners returned to work yesterday, bringing the total this week to 1,992. At the same stage last week some 3,543 men had returned.

Unit trust's legal status overturned by court

By George Graham

A UNIT TRUST hailed last year as "the first of a new generation" has had its legal status overturned in the High Court.

The Arbuthnot Portfolio Trust was set up with the intention of allowing investors to move their money from one specialist fund to another without becoming liable to capital gains tax.

Within the umbrella trust are four sub-funds investing in different geographical areas, and a fifth "deposit" fund investing in short-term Government bonds.

Arbuthnot had contended that switching from one sub-fund to another did not constitute a disposal for Capital Gains Tax purposes. But this claim was rejected in court.

This means that investors who have used up their annual CGT exemption of £5,600 will be liable to tax on their gains when they switch within the Portfolio Trust.

Arbuthnot says that the court ruling does not mean the end of the Portfolio Trust, which now has more than £8m invested in it. It says the fund will still be attractive to investors who wish to switch their money from one geographical area to another, because of its low charges.

The initial charge is 3½ per cent of the sum invested, compared with 6 per cent in most typical unit trusts, and Arbuthnot plans to allow all switches between sub-funds to be made free of charge. Previously only one free switch a year was allowed, and subsequent switches cost £15.

Pressure to repeal 'pernicious' secrets legislation grows

BY MARGARET VAN HATTEM

LEADERS OF the Social Democratic Party/Liberal alliance yesterday stepped up their pressure for the repeal of Section 2 of the Official Secrets Act, under which Mr Clive Ponting was charged, and acquitted earlier this week.

Mr David Steel, Liberal leader

Mr David Steel, the Liberal leader, said at a meeting organised by the Campaign for Freedom of Information the present Government was an authoritarian one. Such governments were well-served by the "pernicious" Section 2 of the Act.

"It is intolerable that in a mature and educated democratic society the citizen should be kept in the dark to save the skins of ministers and civil servants," he said.

"The real point of the Ponting trial was the clear evidence that ministers were engaged in a conspiracy to mislead the House of Commons, not in an endeavour to guard national security but in an attempt to save themselves embarrassment."

The Act, he said, supported the "Nanny-knows-best"-school of authority, but Nanny did not always know best and, after 10 years as leader of the Tory Party she should admit it.

"Open and democratic government rests on consent, not coercion. That consent can only be freely given if information is available," he said.

The present Government reeked of arrogance – "the arrogance of power, the self-righteousness of those who think so little of Parliament and the public and so much of their own convictions that they abuse our democratic system to get their own way."

At the same meeting Dr David Owen, the SDP leader, called for repeal of the Official Secrets Act in the next session of Parliament, introduction of a new Freedom of Information Act and, in the interim, an undertaking that the Government would not again use Section 2.

He advocated the creation of a Parliamentary Commissioner for Information to rules on contested applications for disclosure of information under general rules laid down by Parliament.

The rules could be contained in a code of practice as a schedule to a Freedom of Information Act. Information exempt from disclosure could, he suggested, include that which could prejudice:

- the defence or security of the UK, its dependant territories or international relations;
- maintenance of the law;
- the UK economy;
- the competitive commercial activities of the Crown or any public body;
- the personal privacy of individuals;
- supply of confidential information, which it was in the public interest to continue to have supplied;
- the health or safety of members of the public; and
- legal professional privilege.

Alliance celebrates opinion poll gains

By Our Political Editor

LEADERS OF the Social Democratic Party / Liberal Alliance were yesterday celebrating its best opinion poll rating since before the Falklands War three years ago.

The latest Gallup survey in yesterday's Daily Telegraph puts the Alliance at 31.5 per cent (compared with 25.5 per cent in January) while the Tories have slipped back to 35 per cent (39 per cent previously) and Labour is put at 32 per cent (against 33 per cent previously).

Over a longer term, Tory support is now the lowest since April 1982, having fallen from 44.5 per cent last November. Labour support has only edged up fractionally since the autumn in face of strong Alliance gains.

This poll follows a Market and Opinion Research survey in the last issue of the Sunday Times which put the Tories and Labour neck-and-neck at 37 per cent each with the Alliance back at 24 per cent.

The discrepancies may be explained by statistical differences in the way the polls were carried out. But even taken together they indicate a break in the pattern of support of the past two years. It appears that Tory support is slipping, mainly to the Alliance, with Labour finding it difficult to make further large advances following its recovery in the autumn of 1983.

MPs, while fascinated by opinion polls, are cautious about reading too much into one or two polls on their own. But there is little surprise that Tory support has at last been dented following the sharp rise in interest rates, speculation about possible tax increases in the budget and the row over student grants – let alone a possible weariness with the never-ending coal strike.

Costs of stoppage mount

BY PETER RIDDELL, POLITICAL EDITOR

THE GOVERNMENT is seeking parliamentary approval for an additional £300m of public expenditure to finance the costs of the miners' strike.

This figure forms part of additional provisions of £942m in the spring supplementary estimates published yesterday by the Treasury.

The new coal dispute costs consist of £175m additional support for the British Steel Corporation to meet the net increase in its costs due to the strike and £125m of additional grants to police authorities specifically for their costs in policing the strike.

These requests are in addition to earlier supplementary estimates of nearly £1bn for the National Coal Board to meet its increased deficit and roughly £150m for police authorities (indicating a total policing cost so far of £275m).

These figures only cover items subject to estimate and do not include the substantial extra costs incurred by the electricity industry as a result of having to burn more oil. These costs will be reflected in an adjustment to the electricity industry's external financing limit.

The implication is that the total additional costs caused by the strike are well over the figure of about £1.5m so far given by the Treasury. This estimate, published last November, was on the assumption that the strike would end by the beginning of 1985.

However, Treasury officials have refused to give an up-dated estimate, most recently in evidence to MPs last Monday, because of the uncertainties of fully estimating the cost. It is likely that a revised figure will be given in the budget on March 19.

Outside estimates of the cost by City brokers and academic economists vary between £2.5bn and £4bn.

Cleaners lost jobs 'in security purge'

BY DAVID BRINDLE, LABOUR STAFF

CLEANING STAFF at the Ministry of Defence's main building in Whitehall have lost their jobs for alleged "security reasons," the Transport and General Workers' Union (TGWU) claimed yesterday.

The union maintained that almost 30 of 43 cleaners formerly employed at the building had not been re-engaged by a new contractor after a so-called clearance procedure.

The TGWU took up the case yesterday of Mrs Molly Balkinson, the cleaners's senior shop steward for the past 10 years. In a letter to the Prime Minister, it asked the Government to intervene and press the contractor, Cleandustrial, to reinstate her.

The company said nobody was available to comment on union claims that Mrs Balkinson and her colleagues were the victims of either a security purge or an anti-union drive.

Mrs Balkinson was employed until January 13 by Cleaners, the company which lost to Cleandustrial the contract to clean the Ministry of Defence building. Cleandustrial took over the work the next day.

On January 14, the TGWU says, all the 43 cleaners reported for work but were not allowed to enter the building. They were sent home "to await developments."

The union says it had received a written guarantee that all the cleaners would be re-engaged. It maintains, however, that only 15 have been taken back and five of them have subsequently been dismissed. These five include another shop steward, the union dues collector and two "active" union members.

Although the company would not comment yesterday, the Ministry of Defence said it had originally been given Mrs Balkinson's name on a list of people whom Cleandustrial wished to be given passes. Before her application could be processed, the company had filled its quota of employees.

Options role for banks

BY CHARLES BATCHELOR

TWO U.S. banks are among a number of UK-based banks which may become members of the stock exchange when dealings start in currency options later this year.

Participation of the banks, which are expected to be large users of currency options, is essential for the success of the new options, which are due to be launched by the end of June.

Mr David Steen, chairman of the traded options panel of the stock exchange, said that he hoped the Stock Exchange Council would approve banks becoming members within the next few weeks.

This would be the first time that membership of the stock exchange had been broadened beyond brokers and jobbers although the whole membership issue will be thrown open when the market adopts a new dealing system next year.

Insolvency penalties 'to go ahead'

By Our Financial Staff

THE GOVERNMENT intends to press ahead with proposals for penalties against directors whose companies are compulsorily wound up. This is in spite of rejection by the House of Lords of provisions in the Insolvency Bill for their automatic disqualification from future board appointments.

Mr Alex Fletcher, minister for corporate and consumer affairs at the Department of Trade will today tell a meeting of the Scottish Institute of Directors that he will take account of the Lords' views, but there must be some simple, certain and swift action against directors who may be unfit to act as such.

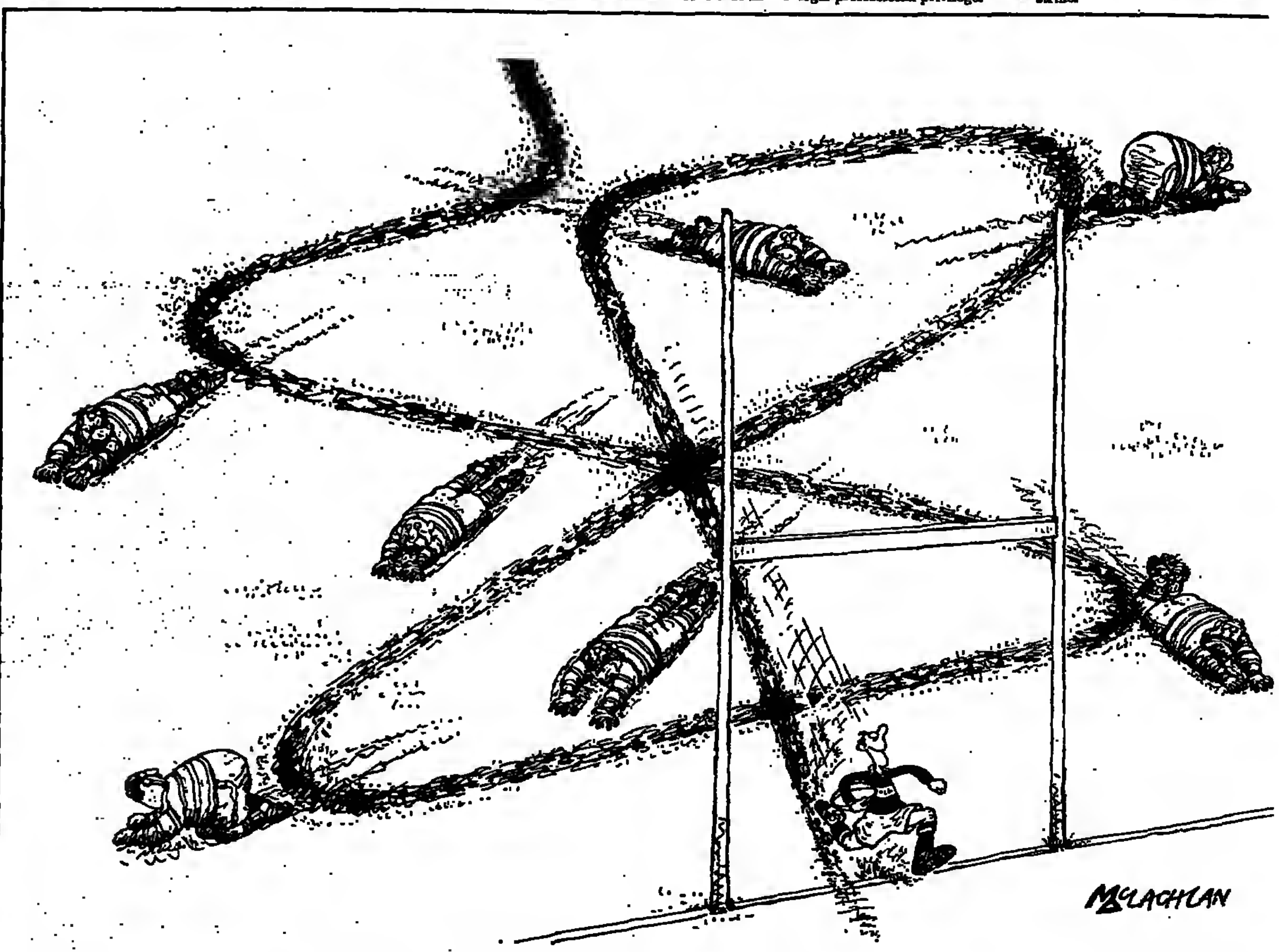
"It is not enough to support the principles behind our objective," Mr Fletcher says. "The whole community has a right to expect provisions which will be effective in stiffening the responsibility of directors in their care of other peoples money."

Mr Fletcher describes as misleading the claim that automatic disqualification would amount to an assumption of guilt. The compulsory winding up of the company speaks for itself, he adds.

BASE LENDING RATES

A.B.N. Bank	14 %	C. Hoare & Co.	†14 %
Allied Irish Bank	14 %	Hong Kong & Shanghai	14 %
Henry Ansbacher	14 %	Johnson Matthey Bkrs.	14 %
Amfo Bank	14 %	Knowsley & Co. Ltd.	14½%
Armco Trust Ltd.	14½%	Lloyds Bank	14 %
Associates Cap. Corp.	14 %	Edward Manson & Co.	15 %
Banco de Bilbao	14 %	Meghraj & Sons Ltd.	14 %
Bank Hapoalim	14 %	Midland Bank	14 %
BCCI	14 %	■ Morgan Grenfell	14 %
Bank of Ireland	14 %	Mount Credit Corp. Ltd.	14 %
Bank of Cyprus	14 %	National Bk. of Kuwait	14 %
Bank of India	14 %	National Girobank	14 %
Bank of Scotland	14 %	National Westminster	14 %
Banque Belge Ltd.	14 %	Northern Bank Ltd.	14 %
Barclays Bank	14 %	Norwich Gen. Trust	14 %
Beneficial Trust Ltd.	15 %	People's Tst. & Sv. Ltd.	15 %
Brit. Bank of Mid. East	14 %	Provincial Trust Ltd.	15 %
■ Brown Shipley	14 %	R. Raphael & Sons	14 %
CL Bank Nederland	14 %	P. S. Refson	14 %
Canada Perm'nt Trust	14 %	Roxburghe Guarantee	14½%
Cayzer Ltd.	14 %	Royal Bank of Scotland	14 %
Cedar Holdings	14 %	Royal Trust Co. Canada	14 %
■ Charterhouse Japhet	14 %	■ J. Henry Schroder Wagg	14 %
Choulartons**		Standard Chartered	‖14 %
Citibank NA	14 %	Trade Dev. Bank	14 %
Citibank Savings	12½%	TCB	14 %
Clydesdale Bank	14 %	Trustee Savings Bank	14 %
C. E. Coates & Co. Ltd.	14½%	United Bank of Kuwait	14 %
Comm. Bk. N. East	14 %	United Mizrahi Bank	14 %
Consolidated Credits	14 %	Westpac Banking Corp	14 %
Co-operative Bank	*14 %	Whiteaway Laidlaw	14½%
The Cyprus Popular Bk.	14 %	Williams & Glyn's	14 %
Dunbar & Co. Ltd.	14 %	Wintrust Secs. Ltd.	14 %
Duncan Lawrie	14 %	Yorkshire Bank	14 %
E. T. Trust	14½%		
Exeter Trust Ltd.	14½%		
First Nat. Fin. Corp.	15 %		
First Nat. Secs. Ltd.	14½%		
■ Robert Fleming & Co.	14 %		
Robert Fraser & Ptns.	14½%		
Grindlays Bank	‡14 %		
■ Guinness Mahon	14 %		
■ Hambros Bank	14 %		
Heritable & Gen. Trust	14 %		
■ Hill Samuel	§14 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 11%. 1 month 11.75%. Fixed rate 12 months £2,500 11.75%. £10,000 12 months 12.00%.
† 7-day deposits on sums of under £10,000 11%. £10,000 up to £50,000 12%. £50,000 and over 12½%.
‡ Call deposits £1,000 and over 11%.
‖ 21-day deposits over £1,000 12½%.
¶ Mortgage base rate.
§ Demand deposits 11%.
** See Provincial Trust Ltd.



The ship-repair yard that came back from the dead

By Walter Ellis

MIDDLE DOCKS, South Shields, a wind's howl east of Newcastle, is a bleak place in winter. The February gales, gusting off the North Sea, are biting. Grey waves, laced with white, crash against the breakwaters.

Bleak, but not miserable. For in Middle Docks today, 1,200 men who two years ago expected shortly to take their place in the North-East's swelling dole queue are instead clocking in regular eight-hour shifts, plus overtime, et Tyne Shiprepair.

Order books and all available dry docks are full to capacity—so much so that the yard had recently to opt out of tendering for a valuable naval contract—and, with the management expecting 1984-85 profits in excess of £200,000, many of the workforce are looking forward eagerly to their first annual bonus.

What is most remarkable about Tyne Shiprepair is that it has come back from the dead. Moreover, it has done so in private hands. As part of the state-owned British Shipbuilders the yard lost £41m between 1977-83 and was scheduled for closure, with the loss of all hands. It was then that a small group of senior managers stepped in to organise a buy-ont. Just 12 months later, turnover was up to between £19m and £20m, and the numbers doubled.

The achievement has not gone unrecognised in high places. Last week in the Commons, the Prime Minister responded enthusiastically to a shameless "feed" from Mr John Stokes, Conservative MP for Halesowen and Stourbridge, in the far-off West Midlands.

Was there not a moral for us all in what had happened in South Shields? Mr Stokes wanted to know.

Mrs Thatcher evidently thought there was. "I congratulate the Tyne Shiprepair company on its excellent first year," she said. "It took 500 people on to its payroll. It has done extremely well under the spur of privatisation and has now 1,200 on its payroll. Success and privatisation create genuine jobs."

But if it all sounds to have been an easy, straightforward exercise on Tyneside, Mr Bill Burns, managing director, insists it was not.

"When we first took over the yard, there wasn't a ship to be seen on the dock. It took us three weeks to obtain our first contract. We had 500 men sweeping the yard, trying to look busy. And even when we began to get orders, it took us five months to consolidate. It was a tough time for all of us."

> Two years ago Middle Docks on Tyneside was due to close. Senior managers led by Bill Burns (right) organised a buy-out. Now the workforce has doubled and the order books are so full that the yard has had to opt out of tendering for a recent naval contract.

At the time of the takeover, employees were offered two alternatives. Either they could opt for redundancy, in which case they were given cash awards averaging £5,000, or they could stay on with the new owners, with a one-year guarantee of work and a share in any profits made.

Of the 1,000 men still employad by British Shipbuilders at the time, half took the money. The others accepted the risks ahead. Those who left were told that, even if things picked up, they would not be taken on again on a full-tima basis. The management felt it owed something to those who had chosen to remain, and casual shifts are now a normal feature of work for the majority at Tyne Shiprepair. What is significant, however, is that the yard now provides work for more men than it did during the last year under the BS banner.

In the blacksmiths' shop, Mr Henry Brennan points out what he regards as the logic of the situation. "We're bound to this work. It's the sort of trade you can't really move away from. There's a lot of man around here that don't have a job at all."

This sort of flexibility—which the management is careful not to treat as weakness — is also reflected in working practices. Mr Burns is full of praise for the co-operation shown by the unions and the workforce in cutting through the demarcation lines which for generations have bedevilled shipbuilding.

"Demarcation? That's not a word we use round here any more," says Mr Bill Shaw, the production manager. "Our men have shown a willingness to make things work. We don't go and grab a welder and tell him, right, now you're a shipwright. But we could. We're sensible about it. We don't abuse the flexibility, and neither do the unions. The result is, we don't get strikes or the talk of strikes. There hasn't been a strike here since Day One."

One of the key shop stewards, Mr Lance Price, of the Boilermakers, agrees. He was originally opposed to privatisation and remains against it in principle. But he admits that the management, so far, has kept to every one of its promises and he is prepared to see further flexibility develop.

"We will still protect our jobs," he says. "But we're prepared to help each other out now more than in the past. We realise that if the yard doesn't make a profit, we're finished."

Once the annual report is published, probably in early April, two-thirds of the company's profits will be distributed among the full-time workforce as a bonus. That should average around £250 a man. The rest of the earnings will be invested.

Next year, when profits are expected to be higher, the proportions will be one-third to the workers, one-third to shareholders (in effect, Mr Burns, Mr Mike Abbotts, his deputy, and six of their junior colleagues) and one-third to the company.

The Burns-Abbotts team is clearly crucial to the success of Tyne Shiprepair. Within the British Shipbuilders set-up at Tyne Shiprepair they were respectively finance director and industrial relations director, but they claim that their advice was frequently ignored by the BS central management, so that vital reforms were left on the drawing board.

"BS always said it was impossible to plan short-cycle work, like ship-repairing. Now we have proved them wrong," says Mr Abbotts. "We plan ahead and give men jobs in relation to a disciplined plan. The fact that long-term contracts were neglected while men were shifted on to short-term work was an unmitigated disaster for us under BS. Long-term contracts became just 'hospital ships'—labour exchanges for the workforce."

Other changes at management level centred on computerisation and a drive for improved quality control, especially vital for Ministry of Defence work that came South Shields' way following the decision to close the naval dockyards at Chatham and Devonport.

Pleasing the navy is important. There are three naval ships currently in dry dock, including the Sir Tristram, bombed veteran of the Falklands war, and a Leander-class frigate, the Euryalus. Naval work is expected to take up one-third of dock capacity in future, and is a vital element in the new blend.

Commercial work, though, remains more vital still. In spite of the continuing recession in shipping, Tyne Shiprepair this month signed its 100th repair contract since going private. Much of the interest comes from the North Sea sector and the Baltic, with East European and Soviet shippers regular customers.

The company is wedded to success. It is also wedded to those 500 workers who stayed on full time and took a real risk with their futures. For the moment, Britain's biggest ship repair yard seems to have found a formula that works.

APPOINTMENTS

BP senior posts

Dr P. E. Lane, a director of BP Exploration Company and chief executive of BP Petroleum Development (North West Europe), will retire on May 31. His successor will be Mr W. J. Saint, now chief executive of BP Petroleum Development (Overseas). Mr D. C. Harding, general manager of BP Petrolaum Development, China branch, will return to London to succeed Mr Saint. Moving to China will be Dr G. V. Wood, who will be succeeded as general manager of the Indonesian branch by Mr J. Turnbull, currently project director of the Wytch Farm Development.

*

Mr Chris Collins has been named vice-president, European operations, for the home video division of MGM/UA. He was European director of finance and administration.

*

Mr Philip Davies, former managing director of Davies & Tate Replacement Window Systems and now chairman of the DAVIES & TATE GROUP, has made three management changes. Mr Tony Davies replaces Mr Philip Davies as managing director of Davies & Tate Replacement Window Systems. He was sales director. He is succeeded by Mr Bob Reid as salas director. Mr Reid was regional sales manager. Mr Chris Cole becomes managing director of Davies & Tat Installations. He was installations director.

*

RCF TOOLS has appointed Mr Glynn Billson as managing director. This follows the resignation of Mr B. Harper, who has left the company to pursue other interests. Mr Billson was previously managing director of RCF Tools prior to its acquisition by Bardsey.

*

MS INTERNATIONAL has appointed Mr D. Pyle as group administration director and company secretary. He had been group financial director since his appointment to the main board in July 1980. Mr M. O'Connell has been appointed to the main board as group financial director. He joined in 1980 from Thomson McLintock & Co. Mr V. Honour has been appointed chief executive of the electrical engineering division, following the retirement of Mr F. Sayles. Mr Honour joined Laurence Scott in 1964 and was sales director of that company.

*

Lord Denman has been appointed a non-executive director of ARUNDELL HOUSE SECURITIES and its newly-formed subsidiary Arundell House (City). His appointment follows the resignation of Mr Trevor Aldridge from the Arundell House board on his appointment as a Law Commissioner.

*

Mr Hugh Ashton has resigned from the board of BRIXTON ESTATE following his appointment to the board of HANSON TRUST.

*

The Industry Secretary has appointed Mr Ronald Halstead, chairman of the Beecham Group, to be the chairman of the INDUSTRIAL DEVELOPMENT ADVISORY BOARD. Mr Halstead succeeds Mr G. W. Mackworth-Young, who died last year.

*

Brigadier Keith Hudson has been appointed director of THE BRITISH INSTITUTE OF INN-KEEPING. Formerly director of the Army Catering Corps, Mr Hudson will take up his new role in May, co-ordinating and administering the membership services of the B.I.I.

*

Professor Peter G. Moore has been re-elected president of the INSTITUTE OF ACTUARIES. Other officers elected for 1985-86 are:—Mr R. B. Colbran, Mr R. D. Corley, Mr L. J. Martin and Mr F. R. Wales, are vice presidents. Mr T. G. Arthur is treasurer and Mr P. J. Turvey and Mr N. H. Taylor honorary secretaries.

*

Mr Richard Parsons has been appointed to the board of TESCO STORES — principal operating subsidiary of Tesco — as director responsible for computer services. He was a director at Granada Group Services.

*

Mr James R. Diamond, vice-chairman of Beecham Pharmaceuticals, has been elected president of the Association of the British Pharmaceutical Industry (ABPI) from April 12 in succession to Mr Ronald Wing, chairman of Sanofi UK. The ABPI has also elected two vice-presidents: Mr P. W. Cunliffe, chairman of the pharmaceuticals division of Imperial Chemical Industries and Mr W. W. Gerard, managing director of Roche Products. Mr W. J. Wilson, chairman and managing director of Pfizer, has been re-elected as a vice-president.

*

APPLIED COMPUTER TECHNIQUES (HOLDINGS) has appointed to its board Mr Simon Hunt as an executive director responsible for corporate planning, and Sir Timothy Harford as non-executive director. Mr Hunt joins from Peat Marwick Mitchell and Co, Birmingham, where he was a senior partner responsible for corporate assignments. Sir Timothy is an executive director of Singer and Friedlander.

TECHNOLOGY

EDITED BY ALAN CANE

EXTRUSION TECHNIQUES ALLOW THE MANUFACTURE OF NOVEL PRODUCTS

How to squeeze sales out of snack foods

BY PETER MARSH

THE food industry is examining with nenewed interest a 20-year-old technique to mako products by hot extrusion. In the process, materials are cooked under pressure and then pushed out through a die at the end of a cylindrical barrel, much as toothpaste is squeezed out of a tube.

Several British research centres are examining the complex processes that take place inside a food extruder. Food companies hope that they will come up with ideas for novel products in areas such as snack foods, confectionery and breakfast cereals.

Extrusion is a widely used engineering process for the production of tubing and plastics.

The main driving force in attempts to breathe new life into extrusion is the snack-food industry, one of tha fastest growing sectors in the UK economy. Companies such as KP, Smiths and Golden Wonder (owned by United Biscuits, Nabisco and Imperial Tobacco) account for sales of snack foods worth some £175m a year in the UK. General Mills, one of the largest U.S. food groups, is hoping to win some of this market with the introduction of tha granela bar—a mixture of cereals and natural sweetners.

Sales of the products, which are hased on ingredients such as potato flour and maize and do not include "traditional" snacks such as crisps and nnts, are growing at an annual rate of about 4 per cent. Roughly 90 per cent of all such snack foods are made by extrusion techniques, according to Trevor Devies, senior marketing manager at KP.

Companies vie with each other in efforts to devise new kinds of snacks that often rely on technical developments in extrusion for consumer appeal. A case in point concerns Twirlers, a snack that has just gone into production at KP's factery in Ashby-de-la-Zouch, Leicestershire.

KP's engineers spent months af effort designing a set ef about 30 dies for an extrusion machine that turns out the product. Twirlers are twisted sticks mada from potato flour.

The flour and other ingredients are hlended in an extruder and passed through nozzles in such a way that a twist is imparted. After this, the sticks are fried to give the final product.

Golden Wonder and Smiths use extrusion techniques in products such as Wotsits (based en maize) and a square-shaped form af crisp, which uses potato flour.

A few examples of products which rely on extrusion.

The shape of tha dies through which the material is passed is all important. Different types of nozzles will give products with e distinctive character—for example containing holes er shaped like a ring. Among the other products made by KP that rely on extrusion are Alien Spacers, Cheesey Crunchies and Skips.

Ranks Hovis McDougall routinely makes with extruders a form of crisp bread called Crocottes, while recently the confectionery industry has started to explore the technique. Mars and Cadbury Schweppes have both invested in new extrusion machines to test the possibilities in novel forms of sweets.

At the Camhridge laboratories of Dalgety, a big food company involved in additiva production, milling and pet foods, engineers are examining the rheological properties of materials produced by food extruders. The workers use video recorders and electron microscopes to investigate the changes in, for example, protein structure as flour/water mixtures are squeezed through the machinery.

Much of the development work takes place under wraps. The hreakfast-cereals industry, which is a relative latecomer to extrusion techniques, is particularly tight-lipped.

Kellogg is widely believed to use extrusion in the production of its Start cereal at its Manchester factory, though the company refuses to divulge details. Viota, another hig cereals company whose products are normally sold under the label of supermarkets such as Tesco and Sainsbury, says simply that it is watching developments.

In the next few months, the Co-operative Wholesale Society will begin cereals production at a factory in Shotton, North Wales. The company says it will use extrusion to make a range of cereals such as cornflakes and rice-hased products.

Weetabix has used extrusion machines for about five years in its Corby plant to make Farmheuse Bran, another cereal product. Output using six extruders can run to 100 tonnes a week.

The new interest in extrusion is the result partly of greeter competitien in the feod industry that ferces companies to think more deeply about product innovetiens. Further, new kinds of extruder have appeared in recent years that have extended tha capabilities of food manufacturers.

"Cold" extrusion has been used in tha food industry fer decades. For example, pasta and sausages are mada by pushing materials through nozzles.

About 20 years ago, food technologists started using extruders that apply shearing forces to the substance inside the barrel of the machine. One or mere screw threads turn rapidly inside the hardware, pushing the ingredients toward the end of the barrel and et tha same time beating the materials by frictien. The hardware is similar in principle to the axtruders used ta turn out plastics prodncts through specially shaped dies.

More recently, companies have incorporated electric heating mechanisms inside the barrels to impart extra energy te the food in such a way that its structure is changed.

Machines made by Creusot Loire of France use induction heating while hardware sold by Baker Perkins of Britain and Werner Pfleiderer, a German company, rely on resistance heating. Other extruders fer the food industry are made by Buhler of Switzerland, Schaaf of Germany and an Italian company called Mapimpianti.

Baker Perkins, based in Peterborough, started selling its extruders three years ago and has so far sold 50, mainly abroad. The machine has two screws on separate shafts which turn at different speeds at up to 500 revs/min.

Shearing forces are applied to the meterials in the barrel by sets of plates attached to the screw threads. The plates divide up the barrel into a number of different zones in each of which the temperature can be controlled by the heating circuits used in conjunction with water jackets.

The Baker Perkins hardware comes in a variety of sizes, which can turn out between 50 kg and 5 tonnes of material an hour and cost between £55,000 and £350,000.

Much of the complex chemistry that takes place in extruders as food mixtures are subjected to stress is only poorly understood. Several teams of researchers, including workers at the Fleur Milling and Baking Research Association in Chorleywood and the Food Research Institute in Norwich, are trying to establish how the extrusion forces affect the nature of the finished products. University groups at Reading and Nettingham are also involved with research.

Technologists are interested in looking at four areas of research in extrusien. This includes different operating temperatures. In "direct extrusion," technologists mix ingredients such as flour, water and additives at about 180 deg C. The material so produced is likely to be dry and crispy, like a crispbread.

A different strategy is to make a "half product" with a lower temperature of about 100 deg C. The ribbon-type substance that emerges from the die then needs to be processed in a separate step, for example by frying or cooking, to form the final product.

Changes in the mixture of ingredients affect the process. Technologists may be able to make snack foods not only from staple ingredients such as potato flour and maize but substances such as rice, legumes, sugars and new types of flavouring.

Advances in extrusion technology may make it possible to make snack foods based on floor from readily available British wheat. In other work, technologists may come up with extrusion methods to make high-fibre types of snack foods that combine nutrition with acceptability to the average consumer.

Researchers are also looking at the manufacture of "half-products" that are in the form of pellets. These can be stored or perhaps shipped in bulk around the world ready for final cooking at another location. The materials could be incorporated into other kinds of products such as pet foods. Production of such pellets could change the economies of snack-food manufacture.

Adaptations to manufacturing techniques for established products are also possible. Crisps, for instance, are normally made by frying slivers of potato. The process relies on good-quality potatoes that are of standard shapes and not affected by frost damage. Extrusion methods that use mixtures of potato fleur could replace this technique and reduce the reliance on perfect potatoes. Extrusion techniques could also be extended widely into the manufacture of cornflakes, which are normally made by conventional cooking.

Furniture

Product automation

VICKERS FURNITURE of Dartford, which has just launched its System E-90 range of office furniture, is to spend over £6m in the next year or two in automating the production plant that will turn out the new products.

The company has a leading European position in tha office furniture market, which is tending to demand more and mere variability as well as facilities fer the accommodation of electronic office systems.

"We are really just makers of metal boxes," says managing directer Mr R. G. Denton, but he indicated that in erder to keep costs down and meet market demands, the company is turning to flexible manufacturing systems.

A new building will go up in Dartford to accommodate the new production systems and two leading UK consultancies, Ingersoll Engineers and PA Consultants, are undertaking major studies.

Vickers' plans will net be disclosed in detail until later this year, but the company is knewn to be contemplating a robot paint lina as well as its current dip painting plant—the idea is to be able to improve the finish and change the colour of items like filing cabinets at minimum cost and maximum convenience.

Tha company already uses robots te weld up the steel furniture components—a Hitachi unit that has been engineered by GEC-FAST. In additian, it has a £400,000 Salvagnini bending and punching machine and a pair of Amada turret presses. Tho idea will be to link up this and additional new equipment in a system controlled by a central computer which will also embrace materials requirement planning and order processing.

The company already uses a compnter hased planning system fer customers' office projects, with access from remote terminals in six sales regiens. Orders come in over phona lines, with stock checking and tha issue ef manufacturing instructions.

All this is seen as key in producing the new E-90 range, which is a modular system in which various worktops can be hung from privacy screens together with flipper cabinets, shelves, containers and lighting. E-90 has a hollow construction that allows cabling to lie in channels and run both vertically and horizontally within the screen's interior.

Computers

Machine tool control

USERS OF Computervision's CAD/CAM-based factory floor management information system, Factoryvision, can now directly access and control machine tools and work centres from the shop floor.

The new system is called Machine Tool Management or MTM. It complements Factoryvision's planning and administration module by allowing production workers to access large amounts of information they need to control machines without tape handling.

The data needed to control machinery is distributed through a machine interface device (MID) at each werk centre. The machine control file is accessed locally from the MID or the central distribution centre and passes the information to the tool either by an RS232C interface or by emulating a tape reader.

The MID also provides local data storage and functions, including the ability to load, edit, verify and send machine instructions to tools. Feedback data is automatically collected from each work centre in order to analyse and monitor performance. More on 0256 58133.

Gold

Safety in mines

MICROCOMPUTERS are playing a role in improving safety in South African gold mines. The Anglo American Corporation has installed six machines underground and a further six on the surface to record signals from geophones embedded in rock. These detect rock movement in the Free State goldfield.

The microcomputers are linked together in a network. If an underground computer detects movement, it immediately sends an alert to the surface machine.

NOTICE OF REDEMPTION
REPUBLIC OF AUSTRIA

US$50,000,000 14¾% Bonds due 1992

NOTICE IS HEREBY GIVEN that, pursuant to Condition 3 (a) of the Bonds, Citibank, N.A. as Fiscal Agent, has selected by lot for redemption on April 1, 1985 US$1,000,000 principal amount of said Bonds at the redemption price of 100% of the principal amount thereof, together with accrued interest to the date fixed for redemption. The serial numbers of the Bonds selected by lot for redemption are as follows:

Bonds Denominated US$5,000

21	868	1250	1847	2724	3264	3814	4348	5114	5927
74	871	1347	1920	2781	3303	3841	4371	5127	6131
78	925	1370	1971	2871	3352	3881	4375	5130	6151
255	953	1406	2010	2887	3418	4020	4405	5140	6208
273	987	1422	2068	2902	3419	4071	4414	5189	6218
304	1055	1457	2093	2911	3443	4114	4419	5245	6246
614	1083	1486	2112	2916	3478	4163	4441	5376	6300
704	1101	1498	2172	2931	3576	4167	4471	5431	6307
707	1121	1570	2199	3010	3594	4179	4659	5512	6310
721	1151	1695	2208	3078	3601	4205	4776	5568	6467
738	1176	1780	2263	3163	3642	4249	4794	5648	6706
819	1197	1781	2300	3183	3656	4269	4876	5680	6718
831	1231	1801	2361	3227	3691	4280	4892	5859	6795
856	1234	1826	2436	3229	3725	4311	5058	5875	6938

Bonds Denominated US$1,000

188	1898	3411	5227	6343	8837	10091	11521	12525	14008
229	1927	3419	5228	6731	8869	10170	11528	12578	14010
257	1953	3477	5274	6744	8874	10171	11579	12712	14076
291	2010	4117	5298	6982	8882	10175	11587	12713	14128
422	2028	4152	5363	7025	8936	10180	11602	12737	14131
455	2045	4190	5407	7104	8940	10229	11671	12786	14183
509	2168	4261	5573	7121	8942	10234	11695	12784	14218
548	2178	4277	5578	7141	8955	10285	11738	12793	14251
893	2192	4325	5619	7218	8964	10317	11765	12808	14264
908	2352	4359	5702	7252	9002	10320	11780	12812	14289
923	2358	4411	5703	7322	9084	10323	11793	12851	14315
969	2429	4435	5718	7421	9159	10467	11927	12986	14402
1009	2445	4549	5743	7451	9188	10627	11930	13029	14407
1067	2451	4603	5750	7463	9224	10676	11946	13033	14408
1118	2617	4638	5868	7477	9297	10715	11985	13058	14422
1149	2713	4688	5882	7568	9306	10732	12150	13079	14425
1208	2720	4718	5930	7576	9325	10765	12196	13120	14490
1308	2737	4778	5946	7655	9344	10773	12219	13137	14517
1344	2758	4858	5957	7709	9369	10844	12258	13246	14564
1387	2764	4884	6063	7754	9378	10870	12261	13270	14579
1395	2807	4893	6087	7857	9384	10942	12275	13338	14582
1432	2821	4897	6117	7945	9474	11095	12301	13351	14663
1552	2884	4950	6144	7971	9489	11096	12351	13450	14721
1638	2888	4978	6206	8031	9504	11148	12358	13469	14742
1655	2929	5082	6207	8150	9720	11185	12372	13705	14751
1671	2931	5113	6241	8306	9741	11208	12448	13708	14803
1685	2985	5116	6249	8599	9747	11360	12470	13760	14836
1698	3138	5123	6260	8613	9881	11369	12479	13775	14921
1718	3283	5144	6319	8713	9887	11396	12521	13884	14961
1747	3286	5216	6322	8814	10064	11397	12524	13917	14975

Payment will be made upon surrender of Bonds together with all coupons maturing after the date fixed for redemption, at the offices of the Paying Agents as shown on the Bonds. Coupons maturing on April 1, 1985 should be detached and presented for payment in the usual manner. On and after April 1, 1985 interest on the Bonds will cease to accrue and unmatured coupons will become void.

Outstanding after April 1, 1985 US$44,000,000.

February 18, 1985
By Citibank, N.A. (CSSI Dept.)
London, Paying Agent

CITIBANK

US$200,000,000

CREDIT LYONNAIS

Floating Rate Notes Due 1994

In accordance with the coodltions of the notes, notice is hereby given that for the six-month period 15th February 1985 to 15th August 1985 (181 days) the notes will carry an interest rate of 9⅞% p.a. Relevant interest payments will be as follows:

Notes of US$10,000—US$496.49 per coupon.

THE SANWA BANK LIMITED
(LONDON BRANCH)
Ageot Bank

NOTICE OF REDEMPTION

Industrial Mortgage Bank of Finland Limited

(Suomen Teollisuus-Hypoteekkipankki Oy)

Land and Industrial Mortgage Bank Limited

(Maa- ja teollisuuskiinteistopankki Oy)

Finnish Real Estate Bank Limited

(Suomen Kiinteistopankki Oy)

8¼% Guaranteed Finnish Municipalities Bonds due March 15, 1987

NOTICE IS HEREBY GIVEN, pursuant to the Fiscal Agency Agreement dated as of March 15, 1972 under which the above-described Bonds were issued, that Irving Trust Company, Fiscal Agent, has selected by lot for redemption on March 15, 1985 through the operation of the sinking fund, $489,000 principal amount of said Bonds at the redemption price of 100% of the principal amount thereof, together with accrued interest to the date fixed for redemption. The serial numbers of the Bonds selected for redemption are as follows:

Bond Numbers

72	1070	1570	2345	7021	7910	9041	9756	10043	10619	11357	12071	13423	14310
75	1082	1572	3629	7042	7912	9045	9769	10044	10621	11369	12081	13629	14311
78	1087	1623	3631	7045	8026	9285	9770	10046	10626	11376	12084	13642	14340
97	1088	1624	4460	7076	8028	9286	9779	10057	10642	11393	12101	13651	14352
98	1090	1684	4461	7086	8037	9291	9781	10061	10643	11403	12116	13653	14367
111	1098	1686	4473	7105	8079	9313	9785	10065	10704	11409	12382	13679	14369
151	1100	1688	4628	7127	8084	9314	9786	10129	10709	11417	12394	13691	14384
158	1101	1706	4630	7130	8098	9370	9787	10148	10740	11439	12397	13704	14406
222	1104	1708	4637	7194	8099	9376	9791	10150	10761	11444	12405	13708	14411
224	1105	1715	4640	7220	8105	9408	9794	10174	10784	11451	12418	13726	14437
225	1106	1716	4643	7234	8114	9417	9796	10179	10799	11462	12439	13741	14445
251	1107	1719	4648	7246	8151	9418	9800	10189	10851	11480	12441	13745	14464
252	1115	1721	4951	7248	8172	9430	9808	10193	10889	11491	12449	13758	14473
429	1120	1787	4954	7257	8176	9434	9813	10199	10950	11492	12453	13762	14478
430	1122	1812	4956	7261	8230	9453	9817	10200	11008	11518	12456	13791	14490
432	1125	1815	4996	7288	8451	9458	9821	10214	11029	11620	12469	13798	14492
448	1166	1819	5000	7401	8457	9467	9834	10229	11046	11689	12493	13832	14509
523	1167	1855	6069	7416	8463	9472	9841	10245	11051	11700	12506	13854	14521
525	1300	1856	6093	7448	8464	9489	9845	10249	11072	11741	12512	13869	14530
534	1308	1994	6096	7498	8487	9491	9848	10251	11079	11765	12546	13871	14579
547	1310	2000	6511	7540	8609	9501	9849	10285	11153	11772	12550	13890	14649
549	1314	2001	6524	7542	8613	9502	9853	10299	11160	11847	12556	13901	14681
655	1331	2005	6541	7548	8628	9670	9857	10301	11171	11914	12561	13912	14718
699	1332	2034	6558	7589	8631	9672	9864	10459	11198	11921	12575	13918	14731
700	1394	2095	6581	7593	8634	9673	9865	10460	11204	11926	12599	13964	14750
704	1493	2107	6754	7595	8642	9699	9869	10466	11241	11936	12640	13989	14769
720	1495	2108	6755	7613	8785	9702	9872	10478	11252	11943	12658	14002	14865
743	1496	2139	6770	7614	8789	9703	9893	10486	11260	11951	12689	14021	14891
744	1497	2142	6827	7670	8795	9704	9945	10492	11278	11963	12694	14030	14902
799	1500	2158	6833	7739	8797	9718	9968	10497	11291	11974	12831	14046	14928
974	1503	2192	6846	7751	8880	9721	9969	10501	11293	11976	12842	14051	14949
975	1511	2204	6884	7796	8955	9723	10021	10504	11301	12010	12849	14083	14971
979	1523	2261	6896	7818	8956	9749	10034	10590	11304	12013	13232	14190	14986
980	1542	2265	7018	7819	8965	9753	10036	10597	11310	12014	13240	14241	14998
981	1569	2340	7019	7874	9038	9754	10040	10602	11354	12029	13422	14268	

On March 15, 1985 there will become due and payable npon each Bond selected for redemption the said redemption price, together with interest accrued to the date fixed for redemption. Payment of the redemption price of the Bonds to be redeemed will be made in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts therein, npon presentation and surrender of said Bonds, with all coupons appertaining thereto maturing after the date fixed for redemption, at the corporate trust office of the Fiscal Agent, Irving Trust Company, attention Trust Services Department, Corporate Trust Window, 101 Barclay Street, New York, NY 10015, in the Borough of Manhattan, City and State of New York. At the option of the holder, such payment (by a United States dollar check drawn on a bank in New York City or by a transfer to a United States dollar account maintained by the payee with a bank in New York City) will be made, subject to applicable laws and regulations in the country of each of the following offices or agencies, at the main office of Irving Trust Company ie London, of Kredietbank N.V. ie Brussels, of Berliner Handels—Gesellschaft—Frankfurter Bank and of Deutsche Girozentrale—Deutsche Kommunalbank—in Frankfurt/Main, and of Kredietbank S.A. Luxembourgeoise in Luxembourg.

From and after such redemption date, ieterest on the Bonds selected for redemption will cease to accrue. Interest coupons due March 15, 1985 should be detached from the Bonds and presented for payment in the usual manner.

Irving Trust Company
as Fiscal Agent

February 15, 1985

THE ARTS

Cinema/John Pym

A German masterpiece

Heimat directed by Edgar Reitz
Irreconcilable Differences directed by Charles Shyer
Ordeal by Innocence directed by Desmond Davis

Marita Breuer and Karin Kienzler in Heimat

Maria Wiegand (b 1900) marries Paul Simon, the blacksmith's son from Schabbach, her native village in the wooded Hunsrück region of the Rhineland. She bears sons, Anton and Ernst. In 1928, Paul decamps to the United States where he makes a fortune in electronics. During the war, Maria has a third son, Hermann, by the kindly engineer Otto Wohlleben. Otto is killed defusing an English bomb.

In time, Anton becomes the creditable founder of an optical works, Ernst a shiftless "antiques" dealer, and Hermann, with Paul's help, a successful composer. In old age, Maria is regretful that, unlike her sons, her husband and her lover, all of whom one way or another she has lost, she has seen nothing of the world. She dies in Schabbach in 1982 and, in a serene, otherworldly gathering at the village hall, is reunited with those she has known and loved.

The writer-director Edgar Reitz, a signatory exactly 23 years ago of that call to arms of the New German Cinema, the Oberhausen Manifesto, orchestrates this story with measured surety over 15 hours and 40 minutes. His first skill, during the five years it took to make *Heimat*, was to establish, with precise detail, the reality of the fictional Schabbach, an ordinary village whose history, it would seem at the outset, need not detain us, and then to reel us inexorably into the lives of its inhabitants. His regard is straight and clear; and he may be compared in this respect to those great humanist film-makers Ermanno Olmi and Satyajit Ray.

Heimat, "homeland," is an echoing title filled with contradictory meaning for any German. It takes in the Hitlerian notion of that best of all possible homelands, Germany itself; the sentimental "Heimatfilms" of the 30s, with their celebration of the rural verities; and the notion of home as that lost place of the adult imagination, and also, for some, that real place to which you can always return, after an absence of however long, and find a bowl of soup placed in front of you, where you are known and no explanations are required.

Reitz's second, and greater, achievement is to have absorbed these undertones into his naturalistic village fresco. Maria may never have left Schabbach, but the world has come to her. Paul trudges home on foot from France at the end of the First World War, Anton from Russia at the end of the Second. Eduard, Maria's sickly brother-in-law, returns to the village with a Berlin bride, the vulgar, enthusiastic Lucie, forever disappointed by staid country ways. Otto, the construction supervisor of a new highway, brings a workforce from Saxony. Paul, on his second, lordly return, has a pocketful of American chocolate. The world's great events ripple, most tellingly sometimes for being hardly perceptible, through the lives of the Wiegands and the Simons.

Reitz is no plodder, and *Heimat* is wholly free from any Germanic gloom. He regards all his characters—and his cast, led by Marita Breuer, is a vibrant, exemplary troupe, part amateur, each one of whom impresses, incidentally, by his *physical* presence—with mature disinterest, but also with gaiety and humour. None is faultless, not even Maria, whose tight propriety drives the teeenage Hermann from her door because of his unsuitable love affair with the older Klärchen.

Yet, with one exception—Maria's younger brother Wilfried, who joins the SS—Reitz extends his sympathy to them all, and often unexpectedly. Anton, for example, his mother's priggish agent in the hounding of poor Klärchen, is soon afterwards revealed by his own lights as an honourable and likeable man. By the end of the film (and it is being shown in London in four separate parts), one feels, quite simply, a welcome family mourner at Maria's funeral: no one any longer has secrets.

The tone of *Heimat* is lightened, and also deepened, by the *occasional* use of emblematic architectural cut-outs, and througbout by skilful changes in film stock. Reitz cuts between colour and black-and-white (which is itself varied by blue and sepia overtones), and sometimes adds a stab of emotional intensity (as when Otto and Maria spend their last, beautific night together and she slips out of bed to open the bedroom stove) with a single dab of colour. *Heimat* was co-financed by the West German TV companies WDR and SFB, but one cannot imagine British television countenancing such sprightly technical inventiveness.

Reitz, a Hunsrücker born in 1932, embarked on *Heimat* as a German riposte to the glutinous American TV series *Holocaust*. The result, magnificently achieved, is the first German film to have come to terms, evenhandedly, with the legacy of German history in the 20th century. It represents, in a way, the end of the New German Cinema's struggle to find a way into this subject. Reitz, furthermore, has set about his task without the burden of unjustified guilt.

Heimat is overwhelmingly charged with emotion. Some, but not I, have felt the great cathartic reunion, with Maria simply naming her friends and relatives in a hall suffused with light, too rich an ending, that the raw sentiment has been ladled on too freely. What is unquestionable, however, is that overall Reitz reveals the skills of a classic novelist. He has a just sense of proportion and a matching breadth of humane vision.

★

Irreconcilable Differences, from the team which produced the agreeably kookie *Private Benjamin*, belongs to the inward-looking genre Hollywood-on-Hollywood. A professor of film, Albert Brodsky (Ryan O'Neal), is unwisely seduced into real film-making. After a couple of hits, he loses his smart, creative wife, Lucy (Shelley Long), and tries to pacify his brainless girlfriend with a musical remake of *Gone With the Wind* (an hilarious lunacy this). Tired of her parents' ugly squabbles, the Brodsky's daughter Casey (Drew Barrymore) takes them to court and insists on divorce. Suitably chastened, the grown-ups learn to respect each other again. Happiness threatens at the fadeout: long, intermittently enjoyable, clunkingly sentimental.

★

Desmond Davis puts a stable of familiar faces — Donald Sutherland, Michael Elphick, Faye Dunaway, Sarah Miles, and more—through their paces in the decidedly inconsequential *Ordeal by Innocence*, a halfway-house Agatha Christie adaptation from Golan-Globus about a wrongly topped man, set in misty Devonshire. These matters are better ordered when all the stops are pulled out; or on television when, occasionally, the characters are allowed the space to breathe.

Little Eyolf/Lyric, Hammersmith

Michael Coveney

If, as Shaw maintained, the Ibsen drama was pre-eminently the drama of marriage, then *Little Eyolf* is the most sombre, ruminative treatment of the main theme. Shorter and less epic than either *Peer Gynt* or *Brand*, it is fiercer even than *The Lady From the Sea*. Like all these plays, and the other late ones, it has a mystical Expressionist quality of a ruined afterlife invading the present.

Water, water everywhere but not a fjord to link the Allmers and their lame, drowned son in Tim Bickerton's disappointing design. One might expect a Munch-like coalescence of hair, eyes and rippling waves. Instead this powerfully cast, mundane production by Clare Davidson, the first in the London theatre for 20 years, takes us on a discreet journey from a walnut-varnished drawing room to an amateurish gorse-tufted promontory where a desiccated marriage is renewed in front of a match-stick railing.

Alfred Allmers has abandoned his book on the Responsibility of Man (who cares?) after a walk on the wild side of the fjord. He wishes to devote his life to his son's fulfilment. Little Eyolf was crippled when his parents ignored him. The incident is recollected but the point is symbolic. Ronald Pickup is a haunted figure, but he never suggests a man whose life has been changed. His wife Rita is played by Diana Rigg as an abandoned statuesque beauty whose animal fulfilment has been thwarted first by Alfred's work, then by their child and, more penetratingly, by the omnipresence in their marriage of Alfred's half-sister, the spellbindingly beautific Asta (*Cheryl Campbell*).

The production, despite its visual inadequacy, is strong on this portrait of an ice-berg of hate and resentment pushing up through apparently placid domestic waters. Miss Rigg ingeniously raises no more of a laugh on "The champagne stood there, but who raised his glass?" than did, we are told, Janet Achurch with Archer's line. She immediately slumps on a sofa, eyes challenging the scholar husband, the essence of a woman who will be fobbed off with neither motherhood nor scraps of love.

I dart freely in and out of Michael Meyer's translation, much better than the Penguin one, more speakable, and unafraid to ram home the rodent imagery personified in the divine messenger of the Rat Wife—played alas with more realism than grotesquerie by Anne Dyson—who arrives to pluck the crippled and bespectacled Eyolf from his lair. The poverty of the beach children gnaws at Mr Pickup's heart (I did not believe that assertion); Miss Dyson wants to know about any gnawing within after knocking at the door (nudge, nudge); in the second act recriminatory dialogue, the loss of Eyolf is, of course, gnawing at his parents' conscience. You cannot ig-gnaw the message of all this.

At least the play is thus robbed of any ambiguity of meaning, and the strain on an unhappy marriage of the infant loss is best conveyed when Mr Pickup clenches his fists and torso at the mention of his son's tragedy. What I miss is the sense that the true missed marriage of brother and "sister" (who have lived out their mother's lie) has any tragic overtones when Asta trundles dutifully after the boringly solid engineer of Paul Moriarty.

In going for emotional verismo at the core of the play, the production remains leadenly unresponsive to its poetry. The child who was "a living wall" between the Allmers should stare bleakly through the rest of the play, eyes wide open and flat on his back as described at the moment of departure. This terror is not enhanced by poor design and lighting effects, nor by the playground chatter of the distant urchins. The irony of Asta and the engineer departing from a jetty where the tragedy occurred is obvious enough, without the unhelpful banality of chintzy offstage chimes.

The ending, where the bereaved couple raise a flag on the promontory to a life of social usefulness, is often thought to be dolefully optimistic. Pickup and Rigg, he touched by the Evil Eye, she the *Diana* of gold and green forests, are compromised in a sticky, hesitantly gestured tableau which suggests that the true horror is only just beginning.

Alastair Muir

Diana Rigg and Ronald Pickup

Arts Week

F	S	Su	M	Tu	W	Th
15	16	17	18	19	20	21

Opera and Ballet

LONDON

Royal Opera, Covent Garden: For its Handel celebration the Royal Opera returns, after a gap of nearly two decades, to Samson, perhaps the supreme English oratorio. Jon Vickers is once again the hero, the new production is by Elijah Moshinsky, the conductor is Julius Rudel. Also, further performances of the Traviata revival, graced by a beautiful and touching heroine in Ileana Cotrubas, and of Der Rosenkavalier, conducted by Georg Solti. (240 1066).

PARIS

La Traviata performed by Orchestre Colonne conducted by Donato Renzetti in a Bonn Opera production by Luca Ronconi with Violetta sung alternately by Diana Soviero-Uzan, Jenny Drivala and Julia Kukely. TMP-Châtelet (233.44.44).

Tristan and Isolde alternates with Konrad Bohmer's Doctor Faustus, world premiere co-produced with Netherlands opera conducted by Janos Kulka/John Burdekin with Heinz-Jurgen Demitz in the title role. Bohmer has reinterpreted the myth of Faust according to historical documents, turning him into a strange mixture of vulgarity and spirit of adventure. Paris Opera (742.57.50).

Homage to Antony Tudor. Lilac Garden, Shadowplay, Continuo, Dark Elegies in Anthony Tudor's choreography to music by Chausson, Koechlin, Pachelbel and Mahler. Opéra Comique – Salle Favart (296.06.11).

WEST GERMANY

Berlin, Deutsche Oper: Carmen returns with Teresa Berganza and Franco Bonisolli as leads. Handel's Messiah is presented in a scenic version by Achim Freyer for the first time. To commemorate Alban Berg, Lulu is offered with Karen Armstrong in the title role. (34381).

Hamburg, Staatsoper: There has been much applause for the new production of My Fair Lady, with Gabriele Hamm as Eliza Doolittle and Boy Gobert playing Henry Higgins. Der Troubadour brings together Lucia Plowright and Piero Cappuccilli. Luigi Nono's rarely played Intolleranza has fine interpretations by William Cochran, Beatrice Niehoff and Gabriele Schnaut in the leading parts. (351151).

BRUSSELS

L'Elisir d'Amore conducted by Sir John Pritchard with Vincento La Scola and Alberto Rinaldo. Théâtre Royal de la Monnaie. (218 1211).

ITALY

Rome, Teatro dell'Opera: Le Perichole conducted by Pierluigi Urbini with choregraphy by Lorca Massine and scenery by Michel Lebois. The cast includes Elena Zilio, Claudio Desderi and Ugo Bonelli (461755).

Milan, Teatro alla Scala: The Barber of Seville, conducted by Piotr Wollny and Zeffirelli's new production of Swan Lake (with the Odette/Odile role split between Alessandra Ferri and Carla Fracci (alternating with Renata Calderini and Anna Razzi). Choreography by Rosella Hightower (809126).

Turin, Teatro Regio: A new production of Puccini's Manon Lescaut conducted by Michelangelo Veltri, with the soprano Maria Chiara making her Italian debut in the title role (548000).

NETHERLANDS

Scheveningen, Circus Theatre. Three ballets by Jiri Kylian danced by the Nederlands Dans Theater: New Ballet (Litoslavsky), Svadebka (Stravinsky's Les Noces) and Sinfonietta (Janacek). Wed (dress rehearsal) and Thur (world premiere of New Ballet). (558800).

The Netherlands Opera with Handel's Orlando directed by Filippe Sanjust. The Radio Chamber Orchestra conducted by Nicholas Kraemer, with Jard van Nes in the title role, and Ann Dawson as Angelica. Amsterdam, Stadsschouwburg (242311).

VIENNA

Staatsoper: Tosca, widely acclaimed performance conducted by Arena with Pavarotti, Wixell, and the Vienna Boys Choir; Raymonda, ballet by Petipa, Nurejev and Glasunov conducted by Schirmer, Manon conducted by Fischer; Falstaff conducted by Zedda with Lorengar, Ludwig, Pons, Allen; Simon Boccanegra conducted by Marco Frede with Freni, Gonda, Bruson, Ghiaurov. (5324/2655).

Volksoper: The Magic Flute; Orpheus in the Underworld; Premiere of Lehar's Das Land Des Lachelns conducted by Bibl; Zarewitsch. (5324/2657).

NEW YORK

Metropolitan Opera (Opera House): James Levine conducts the premiere season of Nathaniel Merrill's production of Porgy and Bess, designed by Robert O'Hearn, starring sopranos Grace Bumbry and Myra Merritt, bass Simon Estes and baritones Charles Williams, Gregg Baker and Bruce Hubbard. James Levine also conducts the last seasonal appearances of Lohengrin starring Anna Tomowa-Sintow, Eva Marton and Placido Domingo. Placido Domingo conducts the last performances this season of La Bohème with Catherine Malfitano, while Neeme Jaervi conducts Eugene Onegin starring Kay Griffel and Leo Nucci. Lincoln Center (362 6000).

New York City Ballet (New York State Theater): The 81st season continues with mixed programmes that include 17 Balanchine, eight Robbins and three Martins ballets. Ends Feb 24. Lincoln Center (870 5570).

TOKYO

Tokyo Ballet Company with Jorge Donn. Palais de Creistal, Siegfried, Dichterliebe-amor di Poeta, Bolera and others. Choreography: Balanchine, Maurice Bejart, Jiri Kilian. NHK Hall (Mon). (363 9151).

Theatre

PARIS

Almeida Theatre's The Possessed in a Youri Lioubimov production, his first in the West. In a succession of sharp surrealistic scenes he transmits Dostoyevski's vision of people obsessed by a totalitarian dream of power. Odéon Théâtre National, 1 Place Paul Claudel (325 7032).

LONDON

Mother Courage (Barbican): Fine RSC presentation by the design team of Cats – John Napier and David Hersey – with Judi Dench as a scavenging, music hall and finally moving Courage pushing her elaborate cart of stage machinery through the Heavyside Layer. Howard Davies directs, good support from Trevor Peacock, Stephen Moore and Zoe Wanamaker. (628 8795).

Two Into One (Shaftesbury): Donald Sinden and Michael Williams head the cast of a blissfully funny farce by Ray Cooney in the old Whitehall tradition. An irate manager, Lionel Jeffries, declares: "There's far too much sex going on in this hotel, and I'm not having any of it." Not to be missed. (379 5399).

Waste (The Pit): Riveting RSC revival directed by John Barton of Granville Barker's 1907 once-banned play about a politician destroyed by an adulterous liaison leading to an abortion, a death and a suicide. Daniel Massey, Judi Dench, Charles Kay, Tony Church and Mark Dignam in a stellar cast. (628 8795).

NEW YORK

Brighton Beach Memoirs (Neil Simon): If he wasn't sure before, playwright Neil Simon can expect a long run of his funny as well as touching childhood reminiscences now that the Nederlander organisation has generously decided to name the theatre after the generation's outstanding box office draw. (757 8646).

Glengarry Glen Ross (Golden): The Chicago cast from the Goodman Theatre provided David Mamet with a Pulitzer Prize for his latest work that pits fast-talking real estate salesmen against the world and each other. (239 6200).

Balm in Gilead (Minetta Lane): John Malkovich's energetic but nostalgic revival of an early Lanford Wilson play brings back the wide-eyed, drugged out 1960s and 70s to the accompaniment of Bruce Springsteen songs. (420 8000).

Sunday in the Park with George (Booth): Inspired by the Seurat painting, Stephen Sondheim fashions a musical with dots and dashes of song that end too soon but work well with Tony Straiges's pretty set and James Lapine's book which changes gears in the second act. (239 6262).

WASHINGTON

The Marriage of Figaro (Folger): The company's own adaptation of the Beaumarchais script will also use Mozart's music and da Ponte's libretto in an ambitious eclectic production. Ends March 10. (546 4000).

CHICAGO

Riches to Ragtime (Pheasant Run): World premiere of John Reeger and Ed Flesch's view of scams and fast talkers by combining Scott Joplin tunes with O. Henry characters. Ends Mar 31 (261 7943).

On the Razzle (Absolute): Michael Leavitt directs the local debut of Tom Stoppard's interpretation of the Johann Nestroy farce. Ends Mar 31 (327 5252).

TOKYO

Musashi Miyamoto, (the 17th century swordsman whose philosophy and fighting techniques set out in his Book of Five Rings are said to be the basis for Japanese modern business strategies and compulsory reading at many U.S. business schools.) This play is based on the highly romanticised fictional version of Musashi's life by the late Eiji Yoshikawa (available in English translation.) Kabuki actor Koshiro Matsumoto plays Musashi, while the supporting cast come from the modern theatre. Not to miss a business opportunity, English earphone commentary and excellent programme notes have been made available – if you missed the book or for refresher course. Kabuki-za. (541 3131).

Music

BRUSSELS

Elizabeth Söderström Lieder recital, Roger Vignoles, piano. Théâtre Royale de la Monnaie (Wed). (218 1211).

Gabrieli String Quartet with Jack Brymer, clarinet. Mozart, Brahms and Shostakovich. Palais des Beaux Arts (Wed). (512 2045).

LONDON

Amsterdam Philharmonic Orchestra, conducted by Vernon Handley, with Moray Welsh, cello. Wagner, Dvorak and Rachmaninov. Royal Festival Hall (Mon). (928 3191).

Fires of London, conducted by Howard Williams. Maxwell Davies, Elliott Carter and others. Queen Elizabeth Hall (Mon). (928 3191).

London Choral Society: Trinity Boys' Choir and the English Chamber Orchestra conducted by Jane Glover, with Anthony Rolfe Johnson, tenor. Britten. Royal Festival Hall (Tue).

Borodin String Quartet: Beethoven, Shostakovich. Queen Elizabeth Hall (Tue).

Halle Orchestra, conducted by Stanislav Skrowaczewski, with Michael Collins, clarinet, Britten, Weber and Beethoven. Royal Festival Hall (Wed).

Schubert Trio: Mozart, Shostakovich and Schubert. Purcell Room (Wed). (928 3191).

Ronnie Scott's, Frith Street: Art Blakey and the Jazz Messengers. (439 0747).

PARIS

Daniel Barenboim, piano: Beethoven sonatas (Mon). Salle Pleyel (561 0630).

Tom Krause recital, Irwin Cage, piano: Schubert's Winterreise (Mon). Théâtre de l'Athenée (742 6727).

Julian Bream, guitar recital (Mon). Théâtre des Champs Elysées (723 4777).

Rudolf Serkin, piano: Beethoven (Tue), Salle Pleyel (561 0630).

Orchestre de Paris conducted by Alain Lombard, Dmitry Sitkovtsky, violin: Bartok, Mendelssohn, Roussel (Wed, Thur). Salle Pleyel (561 0630).

Orchestre National de France conducted by Vaclav Neumann, Birgit Finnila, mezzosoprano, Radio France Choir. Mahler (Wed, Thur). Théâtre des Champs Elysées (723 4777).

ITALY

Milan: Teatro alla Scala: Maurizio Pollini, piano. Bach (Mon) (809126).

Rome: Teatro Ghione: Via Delle Fornaci 37. Alessandra Pavlovic, piano. Bach and Chopin (Thur) (637 2294).

Rome: Oratorio del Gonfalone: (Vicolo Della Scimia 1/B – Via Giulia): Bach Collegium of Leipzig. Corelli, Bach, Albinoni, Stradella and Biscogli (Thur). (655952).

Rome: auditorium of Via Della Conciliazione: Norbert Balatsch conducting Bruckner's Mass in D minor (654 1044).

Rome: Teatro Olimpico: Piazza Gentile da Fabriano: Bach's Goldberg Variations, John Gibbons, harpsichord (Wed). (393304).

NETHERLANDS

Amsterdam, Concertgebouw: Utrecht Symphony Orchestra, Jean Fournet conducting, Jaap van Zweden, violin: Mendelssohn, Tchaikovsky (Tue and Wed). Ivo Pogorelich, piano: Schumann, Prokofiev, Chopin (Thur). Recital Hall: Robert Holl, baritone, Rudolf Jansen, piano: Schumann, Brahms, Schubert (Mon). The Arditti Quartet, Xenakis, Ligeti, Schönberg (Tue). The Suk Trio. Haydn, Smetana, Dvorak (Wed). Imogen Cooper, piano: Schubert (Thur). (718345).

Utrecht, MuziekcentrumVredenburg: Utrecht Symphony Orchestra, Jean Fournet conducting, Jaap van Zweden, violin. Mendelssohn, Tchaikovsky (Thur). Recital Hall: "Atlanta," a marathon of electronic music (Tue). The Amsterdam Bach soloists with the Art of Fugue (Wed). Hedi Guella, voice and lute, Julian Weiss, lute and guitar; an evening of Tunisian music (Thur). (314544).

VIENNA

Orchestra and Choir of the Vienna Conservatoire, conducted by Josef Maria Muller: Beethoven and Orff. Musikverein (Tue).

Shoko Sugitani, piano: Brahms. Boesendorfer Saal (Wed). 656651).

Daniel Barenboim, piano: Beethoven and Liszt. Musikverein (Thur).

NEW YORK

American Composers' Orchestra (Alice Tully): Gunther Schuller conducting; Leo Smit and Vivian Fine, piano; Richard Stolzman, clarinet. Alexei Haieff, Thomas Oboe Lee, Vivian Fine, William Thomas McKinley (Thur). Lincoln Center (362 1911).

Brooklyn Philharmonic (BAM): Lukas Foss conducting. Meet the Moderns: R. Murray Schafer, Mauricio Kagel, Richard Moryl, Alfred Schnittke, Jerry Hunt, Philip Glass (Thur). Academy of Music, Brooklyn. (30 Lafayette Ave 636 4120).

New York Philharmonic (Avery Fisher): Kurt Masur conducting, Jeffrey Kahane, piano: Bartok, Beethoven, Schumann (Tue). Kurt Masur conducting: Arleen Auger, soprano; Vinson Cole tenor, Westminster Choir, directed by Joseph Flummerfelt. All-Handel programme (Thur). Lincoln Center (874 2424).

WASHINGTON

National Symphony (Concert Hall): Erich Leinsdorf conducting; Irene Gubrud, soprano; Katherine Ciesinski, mezzosoprano; John Aler, tenor; Gerald Grahame, tenor. Choral Society of Washington; directed by Norman Scribner: Ruggles, Berg, Schubert (Tue); Rafael Fruhbeck de Burgos conducting, William Steck, violin; Ravel, Beethoven, Bartok (Thur).

CHICAGO

Chicago Symphony (Orchestra Hall): Claudio Abbado conducting; Pinchas Zukerman, violin; Ellen Shade, soprano: All-Berg programme (Thur). (435 6122).

TOKYO

Gewandhaus Quartet: Beethoven recital. Tokyo Bunka Kaikan Small Hall (Mon). (235 1661).

Tokyo Philharmonic Orchestra conducted by J. B. Mari, A. Queffelec, piano: Debussy, Mozart, Bizet. Tokyo Bunka Kaikan. (Tue). (256 9696).

Exhibitions

LONDON

The Royal Academy: Marc Chagall – a full retrospective (organised by the academy in association with the Philadelphia Museum of Art, to which it travels later in the year) of the work of one of the most popular masters of modernism, still at work in his 98th year and last survivor of the artists' Paris of its great period before the first world war.

Chagall, for all his popularity, has remained a maverick artist, idiosyncratic and independent, and hard to categorise. We now see, however, that he has always been a good artist, and at times, most notably in that first time in Paris after 1910, a great one. The work of his extreme old age, moreover, does him more than credit, representing no falling off in its technical command or imaginative authority, but simply a restatement of the poetic images and ideas that have always haunted him and he has made his own – the soaring and floating lovers, the clowns and musicians, the flowers and trees, and that strange, colourful domestic bestiary of cocks and hens, goats, cows and asses.

PARIS

Impressionism and the French Landscape: The exhibition, conceived to coincide with the Los Angeles Olympics, treats the Impressionists' favourite subject matter from an unusual angle. The 125 paintings by the great names of the movement and by Manet and the Post-Impressionists, are divided according to themes. Rural countryside forms one group and the means of transport another, as do urban landscapes and the maritime universe. All show how the artists interpreted the traditional image of France and the modern one which developed in the wake of industrial progress. Grand Palais (260 3926). Closed Tue. Ends April 22.

WEST GERMANY

Berlin, Akademie der Künste, 10 Hanseatenweg: 130 paintings and 70 drawings from between 1945 and 1984 by Rupprecht Geiger, the German painter. Ends March 17.

Hamburg, Museum für Kunst und Gewerbe 1 Steintorplatz: Plastics only has 400 objects of plastic from salt-shakers to wireless sets from 1860 to 1980. Ends April 5.

Hamburg Kunstverein, Glockengiesserwall: More than 120 oil paintings on paper from 1949 to 1967 by Joseph Boys. This is the first time these works have been shown to the public. Ends March 31.

Frankfurt, Frankfurter Kunstverein, 44 Markt: Italian art between 1910 and 1980 offers about 80 paintings and sculptures by roughly 50 artists, among them Chirico Bocioni, Carra Morandi, Modigliani and Manzu. Ends April 8.

Munich, Villa Stuck, 60 Prinzregentenstr. 60: This is the first retrospective in West Germany of Guilio Turcato, the Italian artist. It has roughly 50 paintings and objects and about the same number of works on paper. Ends March 10.

ITALY

Florence: Palazzo Strozzi: Icons from Russia – painting in Russia and the Ukraine from the 15th to the 18th century, organised by the new exhibition centre in Florence and the Russian Ministry of Arts. On show are 71 icons from the Museo Rublev to Moscow, and from museums in Leningrad, Kiev and Cernigov. Newly restored and stripped of their dark protective layers of linseed oil, the colours are brilliant and the gold gleams. The exhibition is fascinating not only for the extraordinary and disconcerting beauty of the icons but for showing the remarkable artistic isolation of Russia, which allowed this subtle art form to survive until Peter the Great decided forcibly to Europeanise it in the 18th century. Ends March 3

Syracuse (Sicily) Palazzo Bellomo: An important collection of paintings by Caravaggio: Focal point is the huge painting The Burial of Santa Lucia – patron saint of Syracuse – painted in 1608, when Caravaggio returned to Sicily after 14 years in Rome. Until Easter.

Rome: Galleria Giulia, Via Giulia 148: 50 works by the German expressionist painter Otto Dix, covering the period 1914 to 1965. Not for weak stomachs: Dix looks at Germany in the post-war period with a jaundiced and unpitying eye, but whereas the irony to this first section of the exhibition is entertaining, the room devoted to his beautifully drawn series on the horrors and privations of trench warfare is less so. Ends Feb 20.

Rome: Palazzo Venezia: Rome 1300 to 1875 – Art of the Holy Years. A huge and splendid exhibition of paintings, manuscripts, medallions, sculpture connected with the holy years which have taken place every 50 or 25 years since Boniface VIII's first in 1300. Of particular interest is Caravaggio's The Conversion of San Paolo (which belongs to the Odescalchi family, and is not normally on public view) and the Veronica by El Greco, recently discovered in the Capuccine monastery in Toledo. Ends April.

Florence, Palazzo Pitti: Infant Princes: Children's Clothes in the 17th century: A curious exhibition of 24 portraits from the period when children began to be autonomous subjects for painters – mainly the Medici children. The paintings travelled, as photographs would now, between Florence, Rome and Vienna for the benefit of noble grandparents and prospective suitors. Until April 21.

NETHERLANDS

Amsterdam. The Rijksmuseum opens its centenary year with a close look at the Last Supper. Twenty sketches and studies, 12 by Leonardo, accompany an immense photographic reproduction of the ailing mural, while detailed photographs chronicle the restorers' latest efforts to reverse the erosion. Ends March 3. (Closed

Dordrecht, Dordrechts Museum. A varied and delightful selection of drawings and watercolours from the museum's collection illustrating the development of the graphic arts in Dordrecht from 1700 to 1850. Ends Feb 24 (closed Mon).

WASHINGTON

National Museum of American Art: 40 works by five 19th century black artists highligh a show of a little-known area of American art. It reminds the world of Joshua Johnson, the first recognised black American portrait painter; Henry Ossawa Tanner, a student of Thomas Eakins and neo-classical sculptress Edmonia Lewis. Ends April 14.

CHICAGO

Art Institute: 82 great architectural drawings cover the last five centuries in this show lent by the Royal Institute of British Architects. Ends Mar 31.

TOKYO

Great Kabuki Actors in Ukiyo-E. This exhibition marks the Kabuki convention of awarding exceptional actors with names of of honour. Only 12 actors in the last 300 years have merited the title Danjuro. To celebrate the forthcoming accession of Ichikawa to the title Danjuro XII, these paintings of previous incumbents show not only the significance of the title but the close ties between Kabuki and art even today. Riccar Art Museum, Ginza. Ends Feb 24.

Pre-Raphaelites and their Age: 70 works of Rossetti, Burne-Jones, Millais and others, mainly from the Forbes Magazine collection. This first-ever exhibition of Pre-Raphaelites in Japan reflects the growing interest in Japan in British Art. Isetan Department Store, Shinjuku. Ends Feb 24.

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000
Friday February 15 1985

Britain's role in oil prices

BRITAIN'S decision this week to bring its official oil prices in line with those agreed by Opec at the end of last month came as no surprise. Britain is, for the first time transparently, a country member of Opec; obedient to the organisation's strictures on pricing and differentials, but not on production controls.

The main alleged advantage of this position is that Britain has avoided destahilising world oil prices. If Britain had abandoned its system of official prices, it could have started a price war. British ministers could also argue that by their restraint this winter they created the kind of atmosphere in which Opec itself was ahle to construct a pricing and production deal in Geneva.

There are two objections to these arguments, one of general principle, one of practice. The general point is that lower oil prices would he in the medium term interest of the British economy and the immediate interest of the world economy. There is a good deal of support for this view in government, hut the voices were somewhat stilled hy the alarm which accompanied the fall of sterling helow $1.10 last month.

Officially, the Government's position is that Britain ehould he a price follower rather than a price leader in oil, hut that it is in the national interest to avoid sharp price movements in either direction.

Influence

The most important underlying point is that Britain's influence on oil prices can only be modest. Unwilling to curtail production, Britain is not in a position to change the supply-demand halance in oil, other than by supporting Opec in the hope that Opec members will do the Job on Britain's behalf. Britain's influence is diplomatic.

It would he as serious a mistake, however, to overstate the degree of influence Britain can have upon the politics of Opec as it is to believe that Opec is so concerned about North Sea oil prices that it will start a price war if Britain steps out of line.

The oil market and the foreign exchanges have been underlining this point in recent weeks. Sterling closed in London last night at under $1.10, in spite of the fact that the spot price of Brent hlend has risen hy almost $3 a barrel since the start of the year and BNOC has set its January and February prices at Opac levels. It is too simple to argue that the foreign exchanges punish sterling for any hint of lower oil prices but fail to work in the opposite direction. A more logical interpretation is that foreign exchange movements in January were less to do with real oil price movements than with other factors, including expectations about oil price movements.

The trouble with BNOC and its protracted agonising over the level of official prices is that the very process, lika an Opec meeting, tends to destabilise the market. Government anxiety about BNOC prices comes across as government anxiety about the economy.

In other words, BNOC has a symbolic and psychological weight at moments of instability or crisis which is not balanced by any gain in periods of stability. That is one of several reasons why Britain would be better off without BNOC. It is noteworthy that Norway, which attracted much odium from Opec and others in the high oil price camp when it cut its official prices in October, has vanished from the limelight since then. It is getting on with the husiness of negotiating its oil prices with customers according to market circumstances.

The only strong argument for not doing the sama before Christmas was that with oil prices falling and Opec in deadlock, the much feared "free fall" in oil prices could have heen precipitated by a rash British move.

This week, spot oil prices are very close to official Opec prices

The ideal government decision this week would have been to sanction the Opec price of $28.65 for Brent retrospectively for January and February deals, hut simultaneously to announce that Britain is withdrawing from the official pricing business. If that step were taken now, there would be little impact on oil markets, since there is a shortage of crude in the market. If Britain waits until the spring, when Opec's more hard-pressed members are straining away from their self-restraint on production, it will be difficult if not impossible for Britain to break ranks.

Ministers will shortly have the opportunity to respond to the Commons Energy Committee's criticisms of its handling of BNOC. The should use it to declare that Britain intends to follow Norway's example.

Market test for public services

AS A general proposition, it seems undeniable that ona way of improving value for money in the puhlic sector is to extend the range of services which must meet the test of open competition in the market. In 1980, the Government required local councils to put most building and maintenance work out to competitive tender. By and large, the result has been greater efficiency and reduced costs. So it is logical that Mr Patrick Jenkin, Secretary of State for the Environment, should now be seeking to axtend the range of local authority services which face competitive tenders. He intends to inclnde items such as catering, refuse collection and vehicle maintenance.

In arguing that more open tenders would improve efficiency, the Government can take some comfort from recent work hy the Audit Commission. The commission has analysed in some detail the results of the privatisation of refuse collection in some local authorities. It concluded that the privatised services were generally achieving better results than the average local anthority which still relies on in-house labour. The Audit Commission has also suggested that quite large savings could be made if local anthorities contracted out vehicle maintenance work: one authority was apparently paying 52 per cent more than was necessary.

It is encouraging that the Government, in seeking to open up the range of local authority aervices which will face competitiva pressures, is not attempting to move too quickly. Yesterday's proposals, following consultation, are not intended to be implemented until 1987. This should give the authorities and outside contractors time to grapple with the many detailed problems which are likely to emerge. The Government is also putting down an important marker, when it stipulates that councils should periodically compare the in-house costs of the various professional services they use with the going market rates.

Yet, although the principle of introducing competition is sound, there are several reasons for caution. There is an element of coercion in Mr Jenkin's proposals. The role of central Government ought to be to set out rational argnments and make recommendations to local authorities. Most anthorities, facing ratepayer pressure, and overall financial constraints already have an incentive to achieve greater value for money, but they deserve some flexibility in how they achieve it. The idea of the Secretary of State setting an even greater number of financial targets for authorities—such as the current-cost rate of return which should be achieved on contracted out services—is unappealing. Councils should be left more autonomy at this micro-level.

Ministers must be aware that the privatisation of public services has, in some instances, had undesirahle consequences. Several National Health Service hospitals, for example, have heen appalled by the standard of aervice provided by contract cleaners. The Government will have to be careful that it does not lay too much stress on a local anthority's obligation to accept the lowest tender. It is relatively easy for an outside firm to put in an unrealistically low tender, relatively hard for local anthorities to judge whethar they are really capable of doing the job

Constraint

It would also be wrong to exaggerate the gains to be had from the contracting out of services. After all, if a local authority faces an overall financial constraint, its position is somewhat akin to that of a large corporation seeking to maximise overall profit. Large companies could put much of tha work done by divisions or departments out to tender and make short-term savings. Often they do not because there are advantages in the longer-term in maintaining in-house expertise. If every activity undertaken by a corporation had to face the "test of the market," big corporations as such would not exist. However, public services are still so insulated from market pressures that the danger of overdoing the introduction of competition in the search for short-term gains is much less than the danger of acquiescing in the status quo.

Europe's state holding companies, typified by IRI in Italy and INI in Spain, once played a dynamic role in their economies. But political interference and uncommercial decisions have led to years of serious losses. Now new policies, including tighter management disciplines and partial privatisation, are being applied. In this article we spotlight IRI

Prof. Romano Prodi

The back seat drivers try to take control

By James Buxton in Rome

PROFESSOR Romano Prodi does not look like a beleaguered man. The chairman of IRI, Italy's immense state industrial holding company, seems as buoyant as ever. Yet in tha past few months his enemies in political circles have been gunning for him.

Both parliament and the Ministry of State shareholdings, which IRI reports to, have recently moved to try to limit IRI's financial and management autonomy. Tha arrest last autumn of soma top IRI managers on corruption charges—though nothing to do with Sig Prodi—has not helped IRI's public image. And, as so often happens in Italy when the heat is on, magistrates have notified Sig Prodi that ha is under investigation for allegedly having had a financial interest in a minute transaction by IRI.

Sig Prodi, a stocky, bustling 45-year-old economist, came to IRI a little over two years ago to revive the sprawling conglomerate at a moment when its dilapidation had become chronic, with losses equalling a tenth of turnover. Whether he has decisively turned IRI round is still uncertain, but ha has certainly stirred up opposition by disturbing cosy relationships between IRI companies and politicians. Other critics, on the other hand, accuse him of not going far and fast enough.

IRI (Istituzione per La Ricostruzione Industriale) is Europe's largest non-oil enterprise. It is not a nationalised company but rather a state-owned holding company financed by commercial borrowing, cheap loans and endowment funds from tha state. Its theoretical function since the war has been to direct the strategic sectors of Italian industry, if possible in partnership with the private sector.

Thus IRI created Italy's integrated steel complexes, installed its subscriber trunk dialling network and built most of the country's autostradas. It also became a vehicle by which the state could take over failing enterprises which the politicians did not wish to see disappear and it had to make investments whose timing and location (notably in Southern Italy) could only be justified on political grounds.

Gradually its composition became less and less rational and its priority became the preservation of jobs and thereby of votes. Though burdened with smokestack industries like steel, it did little to rationalise them. The creation of slush funds and other questionable transactions became more common. As an IRI manager commented: "All companies produce income, the question is whose pockets it ends up in."

IRI now consists of more than a thousand industrial and holding companies. It includes some of the country's leading banks, much of its telecommunications services and manufacturers, a large part of the country's steel industry, its state broadcasting system, the Alfa Romeo car company, Alitalia, a range of companies in food manufacturing—and even a farm and a railway. It employs about 550,000 people and last year had total sales of L42,000bn (£20bn)—7 per cent of GDP.

When Sig Prodi arrived at IRI in late 1982, hardly any of IRI's main subsidiaries was making money: Finsider, the steel subsidiary, alone accounted for almost two-thirds of 1983 loss of L3,200bn; shipping and shipbuilding were both heavily in deficit; Finmeccanica, which controls both Alfa Romeo and Sneea Ansaldo (Italy's leading maker of power station equipment), were heavily in the red. The only IRI sub-holding to make reasonably good profits was (and is) Stet, tha telecommunications concern, which benefits from a near monopoly position in telephone services.

Sig Prodi believed that IRI should revert to its positive role of creating "strategic" networks—in Value Added Networks (VANS); for example. He did not se why companies in which the state had stakes should be intrinsically less profitable than private companies. But he knew that first he had to:

- Cut th losses of the worst sectors.
- Rationalise IRI's structure by getting rid of peripheral activities and refusing to take on new commitments for political reasons.
- Reinstate the role of the private sector in part-ownership of IRI companies.
- Improve management standards throughout the group and tighten up central control.

On the face of it IRI has not made spectacular progress in reducing losses. In 1984 it is reckoned to have lost about L2,700bn, only about L500bn less than the all time record of L3,200bn in 1983, but still over £1.2bn. Its consolidated debt has increased from L38,600bn at tha end of 1983 to over L40,000bn (just below turnover) last year, and the group has been criticised for not moving fast enough to reduce its exposure in dollars. Break-even is predicted for 1986.

Most of the decline in losses is attributable to Finsider, which is thought to have lost about L1,400bn in 1984, compared with L2,200bn in 1983. In the past year Italy has been quietly carrying out a plan which will cut Finsider's capacity by 3.8m tonnes and sharply reduce the labour force: 21,000 jobs have gone in the past two years.

"I know we were the last to do it," says Sig Prodi, "but it was done without violent protests and with the full co-operation of everyone." The full financial benefits, however, will not show up in IRI's results until the 1985 accounts, in which Finsider is estimated to lose L800bn.

Yet the recovery of Finsider is not matched by a turnround in any of IRI's other heavy industry sectors. Fincantieri, the ship-building subsidiary, which was almost never made profits since tha war, is still awaiting the approval of a new law to finance the restructuring of the yards and finance new shipbuilding projects. Similarly, little improvement is expected from Finmare, which controls much of Italy's merchant marine but lost well over L100bn in 1983.

In the Finmeccanica sub-holding, Alfa Romeo once again lost about L100bn last year. Despite big investments and painful staff reductions over the past three years, it may be too small a company in too competitive a market to be lucrative and Sig Prodi says he is actively seeking a foreign partner — including in the U.S. — to enter into a joint venture.

IRI does, however, point proudly to the recovery of the SME group, a collection of food producing and retail companies which IRI acquired to protect Italy from multi-nationals and which have made immense losses for years. SME hroke even in 1984, having lost a total of L270bn in the previous six years.

Under Sig Prodi, the old management was cleared out, and a new managing director came in. Capital was injected and plants rationalised or closed.

SME'e divestitures helped hring to about L1,100bn, tha amount IRI has raised in the past two years through the sale of fixed assets and miscellaneous shareholdings — such as IRI's 12 per cent stake in the Paris-based Wagons-lits company. Yet there has been no drastic re-shaping of the group's activities to cut out the peripherals — only about a dozen little companies and banks have been sold off outright, though more sales are envisaged.

An attempt to get rid of a farm near Rome whose inefficiency, overstaffing and losses had become legendary, is blocked by legal action initiated by the trade unions. Sig Prodi had to overcome considerable opposition to the sale of San Giorgio, a small maker of home appliances which was considered irrelevant to IRI.

Even though a willing buyer was found in the form of a bigger homa appliance maker named Ocean, such was the alarm about possible job losses that a junior minister at the State Shareholdings Ministry proposed that IRI should retain a minority stake in San Giorgio and continue to pour money into it. In the end it was sold for L13bn, part of it payabla in three years time and the purchasers agreed to keep the entire staff unchanged. But Sig Prodi rejects all criticism of the transaction: "I consider it a magnificent sale," he says.

For the more strategic and successful companies such as Aeritalia (aerospace) and Selenia (electronics), Sig Prodi hopes for a different form of privatisation—selling shares to the public via the stock exchange. The idea would be to go back to the situation in the 1960s and early 1970s when IRI's controlling stakes were often in the region of 60 or 70 per cent rather than the more common 99 per cent of today. But there are some cases in which IRI's stake would never go below 51 per cent.

But the idea has not really got off the ground. Three companies (which IRI will not name) are said to be going through the procedures for getting a stock exchange listing this year. But other companies proposed for public quotation are resisting the idea—and it is misleading to draw too close a comparison with privatisation in the UK. Few Italians hold shares and the new issue—if they ever took place—would be subscribed by the banks and by the new investment funds they control. Most of these banks are nationalised, or even part of IRI itself.

But if progress on privatisation has been small, at least IRI has not under Sig Prodi rescued any failing companies in response to the pleas of politicians. "We get an enormous number of requests, almost daily," says Sig Prodi. "I explain to them that the era of rescues is past. We have neither the resources or the desire to take them on."

Yet have Italy's politicians really got the message? Many of them still see IRI less as a commercial concern than as a source of patronage and a provider of employment. They do not wholly approve of Sig Prodi's deside for efficiency and profit, nor of the fact that he he dismissed incompetent or corrupt managers.

It is these resentments that lie behind the measures Parliament has recently taken to put under direct political control the use IRI makes of state endowment funds, and behind the attempt to use tha judiciary to undermine his position. His term of office expires this autumn.

Sig Prodi believes the reason he is under attack is because he is changing things—"and change always provokes polemics." He insists that he will not be deflected by his critics: "I can only go in this direction. If they want to go in another direction they should find another driver."

Yet given political constraints on the group as a whole and ingrained habits of so many IRI companies, it is questionable whether IRI can ever operate with the efficiency and profitability of a private sector company. Sig Prodi recently ordered his managers to cut their operating costs (which for the group as a whole amount to L5,000bn) by 10 per cent this year—an alarming measure of the slack in the system.

And a suggestion that the financial controllers of subsidiaries should report directly to IRI's finance director—which would be normal practice in other businesses—is said to have foundered in part on a curious but telling objection: that such a step could open up to damaging political interference those few lean, aggressive concerns within IRI (there is, for example, the microchip maker SGS) which function as if they were in the private sector.

An article on INI, Spain's public sector conglomerate, will appear shortly

Men and Matters

Fish in troubled waters

"Middle name must be MacGregor," grumbled one of the audience at Hugh Fish's press conference yesterday, as he presented the very commercial-minded corporate plan for tha future of his 3,200 environmental scientists.

They eay the toughest test of a research manager is to give him a falling hudget. And Fish, who replaced the ebullient Sir Hermann Bondi as chairman of tha Natural Environmental Research Council, was hand-picked to manage a cut in Government funds eo great that it means shedding more than a quarter of his staff by 1990.

Where previous NERC chairmen have always been eminent scientists, Fish—a hurly, square-jawed chemist—brings something extra. As well as being a NERC council member for eight years, he has been chief executiva of the Thames Water Conservancy for six.

He says hluntly that NERC has not been well-managed and has failed to attract industrial members. It simply found itself ill-fitted to face a bleak future.

"It doesn't have the kind of management that would give the council clear guidance on policy," he says. His corporata plan aims to put that right, partly through the appointment of three new directors of science to take overall charge of each of its major areas of research.

Fish's view is that his scientists must he encouraged to show the taxpayer—and potential commercial sponsors—more clearly the valua of their work. He has already got some of them looking for ways of measuring output and productivity—unheard-of in days of expanding research hudgets.

But Fish is no philistina. He denies there are any areas he wants to chop; he wants only to trim in line with funds available. He rejects tha notion that he might have produced a plan that simply demanded more cash. It would stand no chance.

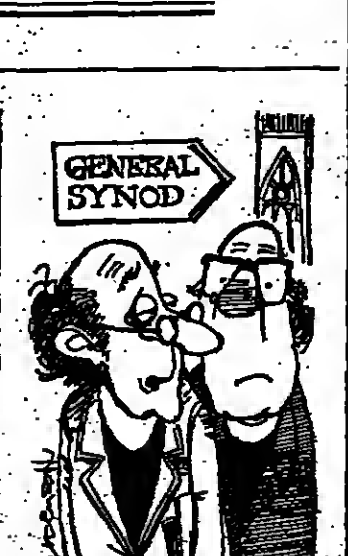
He claims that his plan can produce conditions under which his scientists could make a good case for more money. If it fails to do so, and cuts continue, "that is when I start hattling," he promises.

BBC accent

William Carrocher, the man who taught the BBC's director-general Alasdair Milne to speak Gaelic is moving up to the corporation's management corridor.

Carrocher, formerly of the Foreign Office, is to have tha newly-created job of chief assistant to Bill Cotton—son of "Wakey Wakey" Bill Cotton the band leader—who is now managing director of BBC Television.

Unfortunately for Milne, Carrocher learned his Gaelic on the Isle of Lewis as a young reporter. As a result the director-general speaks Gaelic with a most pronounced Lewis accent—which is not widely admired in Gaelic circles.



"Why don't we put Durham's ideas to a national ballot and settle it one way or the other?"

Silk bonus

In Tokyo, Takeda Chemical and Nippon Rocha have applied for permission to prodnce alpha-interferon, the still unproven anti-cancer agent, through a new genetic engineering process.

I am even more intrigued to learn that Daiichi Seiyaku, another Japanese company, believes it can produce alpha-interferon using silkworms instead of high-tech.

According to a Daiichi executive, tha company is 99 per cent certain that the alpha-interferon produced by the worms is identical to human interferon. At present scientists are using bacteria and yeast as base materials for making the stuff. Silkworms could provide a more hopeful technique because they are closer to human beings on the evolutionary scale, says the company.

And, with an eya on minimising production costs, Daiichi says that tha interferon will probably he made along with the silk.

Sit tight

All 434 Euro-MPs are having to give up their seats—the plush, hlue armchairs in the European Assembly's debating chamber in Strasbourg.

At a cost of £1.5m, the seats are to he replaced with new, slim-line versions, 10 cms narrower, to squeeze in another 84 members from Spain and Portugal due to arrive next year.

Experts, it is said, worked out that installing narrower chairs and desks would be cheaper than extending the chamber.

Adding two more languages to the seven already used in the parliament will put further pressures ou space. The present seven booths, each housing three interpreters, will be replaced by nine booths for 36 interpreters.

While tha changes are being made this summer, MPs will transfer to Luxembourg for their monthly meetings.

The Duchy, in fact, built a 660-seat chamber especially for the parliament. But, in one of those apparently eccentric decisions so often made in tha EEC, MPs voted last year against using it.

Power play

There may be a lot of resistance to building the full-scale versions, but make-it-yourself models of pressurised water reactors seem to be in great demand.

Siemens' nuclear plant subsidiary, Kraftwerk Union, has designed a table-top model of the German equivalent of Sizewell B, a pressurised water reactor called Convoy. West Germany has three of these Convoys in operation.

The 1:350 scale model comes in kit form. It was originally offered to Kraftwerk staff, then more widely at last year's Hanover Fair. It sells for DM 15 (about £5) but is free to schools.

Now the company says it is being inundated with orders; 26,000 so far, and not just from within Germany

It could be that the model has replaced forts and castles for a new kind of war game—pro-nukes versus antis. Or can it be, as the company helieves, that it has discovered how to let kids into the secrets of just what goes on hehind those 10 ft concrete walls?

City flowers

The City, it seems, is not without sentiment. Florists Felton & Sons' shop in Cheapside made 400 Valentine's Day deliveries alone yesterday—and sold 5,000 red roses at £2 a bloom.

Observer

Politics Today

Dear Prime Minister . . . dear Mr Kinnock

Malcolm Rutherford on the fall-out from the Ponting case


● Sir Michael Havers


● Sir Thomas Hetherington

NEITHER Mrs Thatcher nor Mr Neil Kinnock come out very well from the Ponting affair — the Prime Minister because she has sounded excessively strident and the leader of the Labour Party because he has concentrated on the wrong issues. It is a mark of Mr Kinnock's inexperience that be should bave aimed bis fire at Mrs Thatcher's veracity when there were so many easier and better targets to hit.

Two parties, however, come out very well indeed. One was the jury, which unanimously acquitted Mr Ponting after only three hours' discussion. The other was the Liberal-SDP Alliance, end perhaps in particular the leader of the Liberal Party, Mr David Steel.

The jury and the Alliance have something in common. They have recognised that the law under which Mr Ponting was charged—Section 2 of the Official Secrets Act of 1911—is out of date and quite inappropriate to modern times. Almost certainly Mr Ponting was technically guilty: be had after all betrayed official information and bad not even denied it. As Mrs Thatcher wrote in one of her numerous letters to Mr Kinnock, not even the defence lawyers argued that there was not a case to be taken to court. Yet the jury said, in effect, that the old law is irrelevant to present circumstances and let bim off. If you have silly laws, do not be surprised by the verdict.

Where Mr Steel and Dr David Owen, the leader of the Social Democrats, beve scored is in stressing that the law must be

Mrs Thatcher has never been a constitutional reformer

changed. Constitutional reform is back—or ought to be back—on the agenda.

They bave scored in another way, too, even if it was more because of the other parties' own goals. And one of the reasons for that is that perhaps Mrs Thatcher and Mr Kinnock have something in common as well. They still play at adversarial politics: a ding-dong exchange of letters, as well as the exehanges in the House of Commons, as a substitute for thought. If they continue in this bed-tempered, juvenile way, only the Alliance can benefit, for it begins to look like e repository of wisdom and calm.

There is a lot to be thought about. But the basic dilemma might be summed np like this: Mrs Thatcber's policies so far have been broadly based on the premise that if you get the economy right, plus a bit more law and order, everything else will look after itself, or more or less.

Leaving aside the question of whether the Government actually has the economy right, it is now apperent that there are other fundamental matters requiring attention. You cannot live indefinitely with old, outdated laws.

Mrs Thatcher has never been a constitutional reformer. During ber first administration, many of the issues of the 1970s — devolution, proportional representation and reform of the Official Secrets Act—either disappeared or were swept under the carpet. Now some of them are resurfacing, and on official information the Government looks just as naked as its predecessors, and even more bereft of ideas.

The Government should not be let off lightly, despita Mr Kinnock's best efforts to help. It is a bad system that leads to Mr Ponting anonymously leaking official documents. It is a bumiliation for the Government that be should be taken to court and then acquitted, though it might have been just as embarrassing if he had been convicted. And it is extremely confusing that no one should be quite sure about the Ministerial role in bringing the prosecution in the first place. It is as though Mrs Thatcher is trying to run a high-speed train on 1911 tracks. Somewbere, something has gone seriously wrong.

Section 2 of the Official Secrets Act has long been identified as in need of reform, if not abolition: from the Fulton Report on the Civil Service in the late 1960s onwards. It is absurdly restrictive, forbidding the unanthorised passing on of virtually any official information to the public and making the recipient as well as the donor liable to prosecution.

Successive governments have acknowledged that its "catch-all" nature is counter-productive. The only question has been what to put in its place. Mr Merlyn Rees, a former Labour Home Secretary, spoke of a bluderbuss being replaced by an Armalite rifle. In other words, the catch-all nature would go: far more information would become freely available, but there would be stricter sanctions on the handling of information that was thought to be confidential.

The question of who defines confidential and how is, of conrse, another matter. But the general point is that while the problem has been openly identified for nearly 20 years, almost nothing bas been done to resolve it. The temptation to use Section 2 remains and governments succumb to it, apparently without learning from the embarrassment of their predecessors.

There is a much more important point. Mr Ponting is an exception: be decided to pass over certain documents to an MP. Most public servants do not defy the Act so blatantly. The result is that a great deal of informed public discussion is prevented because so much official information is withheld. Civil servants are inhibited by Official Secrets Act from talking to ordinary people about what the administration is doing, even though most of what it is doing affects the lives of everyone.

Moreover, the law is broken all the time. Senior civil servants do talk to people outside their profession on an almost daily basis: otherwise, it would be impossible to produce a relatively well-informed newspaper. The issue is one of discretion: how far can you go, and with whom? When the blunderbuss of Section 2 can be brought into action, that is a very unsatisfactory basis on which to conduct public affairs.

One would like to think that the Government will react to the Ponting ruling by going ahead forthwith with repeal or reform. At the very least, it could adopt wbat the Labour Party used to say: namely, that the Official Secrets Act should be replaced by a measure putting the burden on public authorities to justify information being kept back. There is no sign of that so far, so the next move is up to the House of Commons. It is not a party matter—nothing to do with Left or Right. And the House should realise that it alone can introduce constitutional reform. The House should assert itself.

There is another matter on which the House, if not the Government, could become active. It concerns the role of the Attorney-General. It is anomalous. Mr Steel and Dr Owen are among the many who do not dispute that Sir Michael Havers, the present incumbent, acted honourably in the Ponting affair and was not unduly subject to political pressures. The system is still very odd. The Attorney-General does wear a party bet as well as being the Government's judicial adviser. It is hard for the outsider to understand the long constitutional history which has brought about this peculiarly English compromise. It is not immediately obvious why an Attorney-General is any longer necessary. The Government could perfectly well take advice from elsewbere on the legal implications of its policies or intentions.

On the basis of existing law, Sir Michael thought that there was a case worth bringing because Mr Ponting had confessed, and on the evidence of the Ministry of Defence police. He was advised in that direction by Sir Thomas Hetherington, the Director of Public Prosecutions. Technically, they were correct.

However, it is worth going back to an article by Sir Thomas in the *Guardian* on June 2 1980. The DPP then was fully aware of all the anomalies in his own position as well as that of the Attorney-General. He wrote: "The fact that there is sufficient evidence to sustain a prosecution does not necessarily mean that there ought to be a prosecution."

He added that political motivation should never be a reason for bringing a prosecution. And he made one other crucial point: "It is wrong to put a defendant in jeopardy in the dock merely to give the matter a public airing—however much public interest there may be in the incident to which the allegation relates. That is not the purpose of a criminal trial."

That is not the way the Ponting case has worked out. There has been a public airing, and the consequences have been wholly beneficial provided that the anthorities now accept the need for reform. That seems to me to inclode the reform of the

The role of the Attorney-General is anomalous

office of the Attorney-General, and perhaps its abolition. The legal and political processes have become too intertwined and it is plain even from the Attorney-General's statements in the House of Commons on Tuesday that the existing law, and the attempts to apply it, make no sense.

One final point, also illustrated by this week's debate on the Representation of the People Act. The deposit for a Parliamentary candidate was set at £150 in 1918 and bas not been changed until now. No wonder change is difficult when it comes belatedly.

We need I think, a permanent committee on constitutional matters, composed of Members of the Commons and the Lords, obliged to report once a year and whenever it thinks that the anomalies are getting out of band.

Lombard

The case for state pensions

By Michael Prowse

FRIENDS of the state earnings-related pension scheme (Serps) should stand up and be counted. The scheme is under attack from all sides. Mr Norman Fowler, the Social Services Secretary, is reportedly recommending to Cabinet that it should be abolished. The Institute for Fiscal Studies, often at loggerbeads with officialdom, dismisses it as a costly and foolish commitment.

The objection seems to be that Serps is wildly extravagant. Yet the commitment to pay an indexed supplement to the basie meagre pension of only one-quarter of average earnings sounds modest. It compares favourably with the commitment to pay public-sector employees an indexed pension of two-thirds of final salary.

It is far from clear thet cutbacks to the state scheme are either desirable or necessary. A common presumption today is that the private sector can do everything better than the public sector. Pensions are an obvious counter-example. Pensions should meet two basie criteria. They should guarantee living standards in old age, wbieb means they should be linked to an individual's final or average salary and indexed for inflation. And they should not impede job mobility. State pensions meet both eriteria admirably: they are eonsistent with perfect job mobility and they are best-placed to guarantee living standards.

By contrast, private pensions whether provided by employers or by individuals acting alone are flawed. Company schemes are incompatible with job mobility. Companies are criticised for giving early leavers a poor deal but why should they be expected to provide even indirect support for employees who left 20 years ago? And although many employers do look after long-serving employees in retirement, it is no longer obvious that it is economically efficient for the burden to fall on them. Personal portable pensions, on the other hand, are flawed for another reason: they cannot guarantee living standards in old age because nobody can know what his contributions will eventually buy—it will depend on the vagaries of the stock market.

In organising pensions, the state is merely acting as e large and efficient clearing house: it is not intervening in the economy in an undesirable way. The logical case for state provision may be unassailable but a question remains: can Serps be afforded? On this issue, the IFS is responsible for generating unnecessary gloom. It points out that when Serps matures in 1998 it will increase the social security budget by £10bn-12bn (in 1982 prices). So what? Serps was rigbtly devised on the assumption that the economy will grow: even if growth averages only 2 per cent over the next 15 years, GDP would be 35 per cent higher by the year 2000. Should not the old share in rising national wealth?

It is, in any case, illogical to argue that Serps cannot be afforded but that more generous private occupational schemes can be. In real economie terms, future pensions, whether labelled private or public, will be paid for out of the current production of the then working population. In the last analysis all pensions are "pay-as-you-go." It is a fallacy to believe that the private sector in aggregate can "fund" future pensions by amassing piles of paper elaims to present equities. We can influence future generations' ability to pay our pensions only by raising our rate of physical investment. There is no evidence that "funded" private schemes raise even the overall savings rate (they just displace other forms of saving), still less that they increase physical investment and so relieve the burden on future generations.

All pension provision will be made barder by adverse demographie trends. But it is difficult to believe that in 40 years tima (when real GDP will be much higher) even a relatively smaller working population will be incapable of paying the retired a quarter of revalued average earnings. If cost problems remain, they should be met by abolishing all tax benefits for privata pensions—if not actively dissuading employers from providing pensions—and by raising tha retirement age for women.

Letters to the Editor

Expand use of the Ecu

From Mr W Kitcat

Sir,—Much has been written concerning the consequences of what is seen as an "overvalued" dollar and eloquent arguments have been edvanced for the UK becoming a member of the European Monetary System by participating in the exchange rate mechanism. It seems to ma that the debate can now be taken a stage further by suggesting that a greater volume of world trade, the UK's in particular, should be invoiced and paid for at least in part in the Ecu. This would result in e lessening of demand for the U.S. dollar which should feed through to a decline in its value.

If there has been a "success" story in the currency markets in 1984 it must surely bave been the spectacular increase in Ecu-denominated capital market issues which rank only behind the dollar and the Deutsche Mark and total some Ecus 6.5bn. There are now more than 300 banks involved in the inter bank market in the Ecu and a very wide range of institutions are prepared to borrow Ecus and hold deposits which are believed now to total between Ecu 10-12bn.

The inherent stability of the Ecu and its supra-national characteristics, making it acceptable even to the USSR, provides it with a unique quality which I believe is as yet not being fully exploited.

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Nr Abinger,
Dorking, Surrey.

Supply side moves

From the International Economist, Wood Mackenzie & Co.

Sir,—Employment in the U.S. has risen 6½ per cent since Reagan came to power five years ago. Over the same period, employment in Europe fell 4 per cent. This stark contrast is being widely attributed to the more restrictive fiscal policies being pursued by most European Governments. There is now a growing body of opinion that Europe should alter its policy mix to follow the U.S. example of fiscal ease and monetary restraint. Malcolm Roberts' letter (February 1) is a typical example of such a view.

Unfortunately, there is little evidence to suggest a European move to fiscal ease would result in a U.S.-style employment boom. Between 1970 and 1979, the general government balance in Europe went from +0.8 per cent of GDP to −3.2per cent—a substantial fiscal easing. In the U.S., it went from −1.1 per cent to +0.6 per cent — representing a significant tightening. Yet U.S. employment rose by over 2 per cent p.a. over the period compared to 0.3 per cent p.a. in Europe.

The labour merket in the U.S. is clearly more flexible and dynamie than that in Europe. A simple easing of fiscal policy in Europe will not change that fact. Efforts should therefore be concentrated on supply side moves to improve lebour market efficiency. Such moves could include scrapping minimum wage controls, reducing taxes on employment, alleviating the poverty trap and relaxing controls on the privete house rental sector to encourage labour mobility.

Martin H. Barnes,
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EC2.

Crossing the Channel

From Mr I. Churcher

Sir,—The Department of Transport report of the UK/French study group (1982) covers all the points raised (February 6) about cross-Channel links. It gives a fair evaluation of the pros and cons resulting in clear conclusions that: if the customer is looking for the cheapest method to cross the channel, ferries are the solution; if you are looking for increased employment after the fixed link is completed, there is nothing to choose, but ferries have the edge; if a physical link is required for political reasons, don't worry about the other arguments; and if putting your own money at risk is accepted, please proceed, but do not look to tho Government (we tho taxpayer) to bail you out if your sums are wrong. The position in 2005 will probably remain unchanged.

I think that the point for the customer to bear in mind is that ferries will always he competitive on price, as ferries come in smaller capital investmants (as compared with the fixed link). The frequency of departures may seem to be less but motorways have suffered from contraflow delaya and other rontine bold-ups which could apply to the fixed link.

Frankly, you pay your money and take your chance.

Ian Churcher,
16, Shawley Way,
Epsom Downs, Surrey.

It's a liberty to read

From Mr L. Hutchinson

Sir,—Anyone who has recently purchased an Act of Parliament from HMSO or used Companies House will confirm that the Government has imposed severe "taxes on knowledge" and now statistics obtained from Government departments have to be paid for. These charges make no difference to large organisations or other Government departments but are en insurmountable obstacle to an individual. The charges imposed at Companies House are particularly odious. So that which was unthinkable when VAT was introdnced, e book tax looks more than likely.

It has been claimed that because books are not taxed as severely ea motor-cars and much less severely than cigarettes, they are "subsidised" and as this "subsidy" is indiscriminate it should be "ended" end replaced by grants distributed by a Government department.

Thus the purchaser of a book would be obliged to pay not only a 15 per cent book tax but a further percentage through general taxation to finance publications approved by the Government. Ah, liberty!

Lindsay Hntchinson.
7, Mary Road,
Handsworth, Birmingham.

War in the Gulf

From the Ministry of Islamic Guidance

Sir,—We refer to your article headlined "Iran steps up attacks on ships in the Gulf War," on December 27 1984.

Your assertion that land had been lost in an Iraqi counter-attack is totally untrue. As soon as the Iraqi counter-attacks were crushed a group of foreign correspondents were taken to the warfront to see for themselves, and to the best of our knowledge not one reported that Iraq had made any territorial gain. The Majnoon Islands remain firmly under the control of Iranian forces.

The Ministry of Islamic Guidance, Tehran.

Raised payroll costs

From the Chairman,
North West Regional Council,
Confederation of British Industry.

Sir,—In his articla "A tax privilege conundrum for the Chancellor," (February 12) Professor Leslie Hannah studiously avoids dealing with the qnestion of bow the additional costs associated with the removal of the tax exemption of investment income from pension funds are to be funded. He rightly states that "Trustees would be faced with a choice of reducing benefits . . . . or of reising contributions from employers or employees." The former seems bardly realistic (or desirable) and therefore the latter would prevail.

Leslie Hannah's declared interest is business history but members of the CBI are very much concerned with business present and business future.

Here in the north west, to demonstrate the impact of the removal of tax relief on contributions, on interest earned by funds and the imposition of capital gains liability, we collected information from a range of companies having pension funds of differing sizes and maturity. These firms employ a range between 59 and 5,618 persons.

The increase in payroll costs associated with the total removal of tax relief ranged between 10 per cent and 20 per cent! Compare this to the recently removed iniquitous national insurance surcharge which equated to about 3.5 per cent of payroll.

At a time when manufacturing industry is slowly recovering from the effects of recession, and still in a fragile state in many sectors, a further Whitehall imposition regardless of whether it was the whole or part of recent suggestions from the Treasury, would be downright foolhardy.

Mr Lawson would be better employed in devising ways of reducing industry's costs which in turn makes it more competitive and therefore more likely to make a dent in the unemployment figures. The proposals discussed by Leslie Hannah will do nothing in this direction. So to Mr Lawson we say, "Hands off people's pensions."

Bruce Scott,
Emerson House, Albert Street,
Eccles, Manchester.

Pie-in-the-sky wars

From Professor F. Pirani.

Sir,—It is Ian Davidson (February 11) who is too sanguine about ballistic missile defence. A local silo missile defence will do no good to the military balance; it will merely fuel the strategic arms race. As for the perfect or near-perfect defence system which is the Reagan Administration's pie-in-the-sky "objective," the last word should lie with Dr Ashton Carter, now at Harvard. In a Congressional report prepared with full access to classified information, be concluded that "the prospect . . . is so remote that it should not serve as the basis of public expectation or national policy."

(Professor) F. A. E. Pirani.
22, Siddons Buildings,
Tavistock Street, WC2.

FINANCIAL TIMES
Friday February 15 1985

Jurek Martin in Tokyo describes a currency debate as export surpluses soar

Why the yen rate strains Japan's smile

IN A commercially oriented country, in which many industries would be competitive at an exchange rate of Y220 to the U.S. dollar – in some cases even higher – a valuation of Y262 ought to equal profits and happiness. For the export industries, it certainly equals the former, but the smile on the face of Japanese industry and, especially the Japanese *Government, is becoming a little* strained these days.

This is because Japan is becoming increasingly aware that its trading success is an embarrassment, *no matter* that a soaring dollar and U.S. policies beyond Japan's control are its prime cause.

The litany of Japan's surpluses is *well known, but an extra, novel* dimension was provided this week: January is a statistically freakish month when Japan invariably runs a trade deficit, as measured by the customs clearance returns; yet last month the country recorded its first January *surplus* in 36 years. Moreover, for all the official prognoses and hopes to the contrary, it remains the case that, with domestic demand still less than optimal and the U.S. economy bubbling along, exports are pulling Japan's growth along.

For industry, the best of whose performers have been recording profits increases of 40 per cent and upwards, the problem is the external perception that the gravy train is too good to last. Major export earners – the car, machinery and electronics companies – are increasingly worried that the temptation of increased protectionism, especially in the U.S., is becoming irresistible.

For all the weakness of commodity prices, importers of raw materials, almost all of which are priced in dollars, are beginning to find the process expensive. The oil industry, for example, whose current buying policies are predicated on a Y245 exchange rate, are even beginning to talk of the need to get crude imports denominated, and paid for, in yen. Inevitably, U.S.-manufactured *goods are simply not very competi*tive in the Japanese market.

The basic question is what, if anything, the Japanese authorities can, or should, do about the yen.

So far, in the two weeks since it has become apparent that the co-ordinated intervention approach laid out at the Group of Five finance ministers' meeting in Washington last month was proving at best marginally effective, the Government has done what it often does in such circumstances – very little.

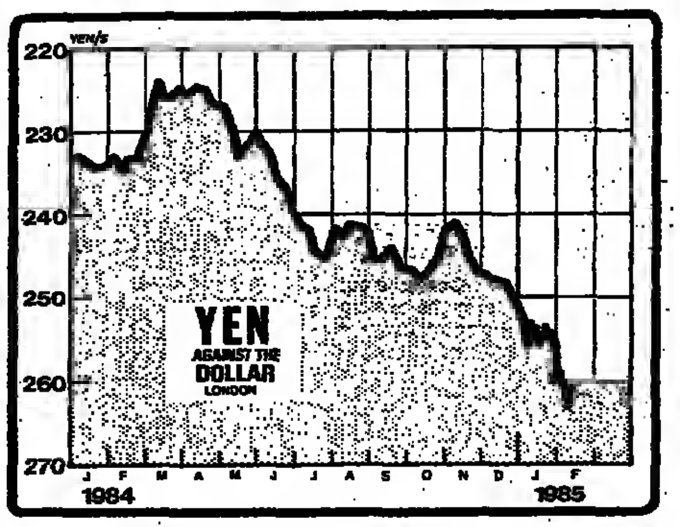
It is a restraint which is often criticised and sometimes admired overseas (by the Organisation for Economic Co-operation and Development, for example) and *it* certainly stands in sharp contrast to the exigencies forced on European governments, above all the UK, by the collapse of their currencies against the dollar.

All Japan has done is to practise some intervention, not, apparently, on a grand scale, and have the Governor of the Bank of Japan, Mr Satoshi Sumita, seem to hint at higher interest rates – a message lost on the foreign exchange mar*kets though not on bond dealers, who have added, before yesterday's* rally, half a percentage point (to 7 per cent) to long-term government issues.

In fact, a senior official of the central bank yesterday denied that rates were being talked up; conceding that in 1982, the central bank had led short-term rates higher to protect the yen, now, he said, "we are not even leaning against the wind, we are just more finely-tuning market conditions."

The comparison with 1982 is important because it crops up a lot in analysis of the extent of the Japanese dilemma. The central bank's view is basically that nothing that has happened to the yen in the current round of dollar resurgence is as bad as it was then.

In 1982, the yen dropped Y60 to a trough, in early November, of Y278, *but in this cycle it has only fallen* about Y40; in 1982, the yen was weaker against other currencies with the important D-Mark cross-rate averaging Y110 to Y120; this time it is in the Y80 range and showing no signs of frailty; in 1982, the Japanese economy was not firing on all cylinders, but this time *the economic fundamentals have* rarely looked better.



It is the protection of these fundamentals, rather than any notional exchange rate, which still most motivates Japanese policy. The central bank is only too happy to run through things it might do but, with the next breath, point out why they cannot be done, or would be counter-productive.

The broad options include a pronounced increase in interest rates, logical because Japan still believes *it is the interest rate differential* with the U.S. rather than, as President Ronald Reagan claimed as recently as Wednesday night, the relatively superior U.S. economic performance which is causing the capital outflow from Japan and hence the yen's weakness.

The problem is that, with a discount rate of only 5 per cent, and relevant money market rates in the 7 per cent range, the gap with the U.S. is already vast, in the 5 percentage point range. Any attempt to close the gap meaningfully would not exactly help the domestic economy.

Another possibility, reportedly being canvassed by the Economic Planning Agency, is an export surcharge, triggered when the yen falls below a given dollar rate. The Bank of Japan likens this to President *Kennedy's imposition* of an *interest* rate equalisation tax in 1963 and concedes it is theoretically feasible. But it argues that both would be difficult to implement and would be a dangerous precedent for the international trading system. Industry, it goes without saying, would not be amused.

Also on the notional table is the reimposition of exchange controls to stem the capital outflow, which came to just under $50bn last year. But this, the central bank argues, can legally only be done if a *state* of emergency is declared; and this can only be invoked in circumstances of severe balance of payments disequilibria, excessiva exchange rate fluc*tuations and "serious" capital mar*ket uncertainty. "We are not in that condition," the central bank observes.

Japan does have some statutory power over capital outflows in the Ministry of Finance's ceilings on the ratios of overall assets that life insurance companies and pension funds may hold in overseas portfolios. But the surge in last year's exodus of money from Japan has mostly been provided by corporations, looking for better returns *overseas.*

In an interesting case study, Japan Financial Report, a Tokyo-based newsletter, found that JVC, *the electronics company which is* not untypical in its commitment never to leave money idle, keeps about 10 per cent of its Y100bn securities portfolio in foreign, mostly U.S., bonds (curiously, its nominal parent, Matsushita Electric, is much less adventurous). But, in the central bank's view, it has no leverage over corporate treasurers. "We can appeal to them from a prudential viewpoint," the Bank of Japan official observes, with a metaphorical shrug of the shoulders.

The final option – and one which, interestingly, is becoming more of a subject for serious debate – is to take a risk and stimulate the economy by fiscal and/or monetary meth*ods with the intent of creating the* domestic economic climate for investment which would bring Japanese capital back to Japan.

In the current mood, however, cutting interest rates seems hardly likely to produce a stronger yen; and there is simply no sign that the conservative Government is willing to contemplate abandoning fiscal austerity – at least not before its endlessly discussed tax reform proposals are enacted, probably not before 1987.

Yet Japan is also fortunate in one key sense. It is not afflicted with an apparently imminent symbolic-exchange rate which calls into question national virility.

Some market analysts believe that Y300 to the dollar could yet prove to be that day of reckoning, *but it is not a scenario which commands* widespread support, except among the more fervent dollar bulls.

As far as the Bank of Japan is concerned, there is only one trigger, according to its senior official. "If we see that a weak yen really does mean inflation, then we act." But without a change in market sentiment *"it is very difficult for us to* prevent further weaking of the yen against the dollar on our own."

The answer, as Japan has long been saying, lies in Washington.

Toyota results, Page 18; Money markets, Page 35

THE LEX COLUMN

Tricentrol comes back for more

The London equity market has been showing a few signs of fatigue, but yesterday's debut by Hillsdown Holdings showed there is life in the old bull yet. The shares finished the day at *a 33p premium to the striking price of 145p*, making the initial minimum tender price look ancient history.

Tricentrol

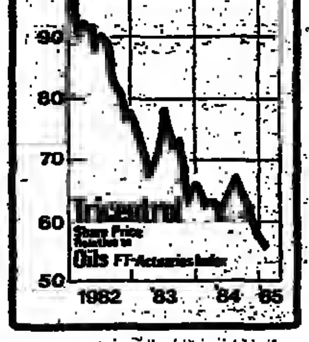
Tricentrol has always seen the rights issue as a cornerstone of its financial management so, whatever else may be said of yesterday's call for cash, it was not exactly out of character.

Yet the fact that Tricentrol has a policy of *finding* exploration and appraisal in part from equity should not give it carte blanche to raise fresh capital as and when it pleases. Given the group's recent performance the justification for yesterday's issue looked very thin indeed. Tricentrol almost acknowledged as much by wheeling out a convertible loan stock pitched on very attractive terms. An 11 per cent coupon and a conversion price just below the market should ensure ready takers, but it will not have escaped the *attention* of Tricentrol's critics that the company's share price was lower yesterday than at the time of the last two rights issues, in *May 1979* and September 1982. Of the U.S. offering in July 1980, the less said the better.

Net assets per share are again being diluted and Tricentrol is rather *rubbing salt in the wound* by forecasting a maintained dividend both this year and next. It would admittedly be illogical to pay a higher dividend and then ask shareholders to fund it retrospectively through another rights issue, but the more serious question is whether Tricentrol could not find another way of setting its balance sheet straight.

That Tricentrol needs capital from some quarter is beyond doubt. Year-end debt will be equivalent to 76 per cent of shareholders' funds and *an already heavy exploration* programme will presumably be accelerated by the abandonment of the Sleipner scheme. After a run of dry holes Tricentrol has recently made enough worthwhile discoveries to justify its current spending.

Yet is it also beyond doubt that Tricentrol has used shareholders' *money to expand with undue haste* in the past. The dash into the U.S. brought little but trouble, as was belatedly recognised by last year's sale of the onshore oil interests for $73m.



It may not be the most propitious time to sell exploration assets and Tricentrol can no doubt claim that disposals would upset its tax planning, but the company might at the *very least set out the options.*

Imperial Group

Imperial Group did its best yesterday to point the *market in the di*rection of its results for the year to October. The preliminary statement was, as usual, a mine of interesting information about the group's operations. Unfortunately the *market* was looking in quite another direction – towards Howard Johnson in the U.S. and information about Imperial's plans for its troublesome subsidiary was distinctly thin.

The market's preoccupation with HoJo is understandable. Despite all *Imperial's efforts, which have* admittedly been crowned with some success in the lodging business, the operation is still making a pitiful return on capital and a disposal – even for $300m – would greatly enhance earnings per share in the current year.

It would also leave Imperial with a completely ungeared balance sheet and the opportunity to make another sizeable acquisition – United Biscuits was yesterday's fanciful market favourite.

Imps has yet to make up its mind about HoJo, however, so the market was reluctantly thrown back on the results, which showed a 13 per cent gain in pre-tax profits to £220.6m and a slightly greater increase in earnings per share.

The most distinguished performer was undoubtedly the tobacco business, which has inched up its market share without sacrificing margins during a year which saw a punitive rise in tobacco duty.

Elsewhere Imps has been performing at best in line with the industry and the overall result was flattered by an £8m increase in pub disposal profits. The brewing and leisure division has been held back by the high level of development *work and will this year lose about* £5m of profit from a strike at the Tadcaster brewery.

The heavy capital spending programme – last year's £230m should be exceeded in 1985 – should be bearing fruit in the next five years, but in the meantime all eyes will be on HoJo.

Without a sale, Imps might make only about £233m (before property profits) this year, leaving the shares rather exposed at last night's price of 201p.

Mercury/Akroyd

Taking a stake in the City of Lon*don revolution is hardly investors'* favourite ploy these days – and even for those who want to, the value of financial conglomerates' shares can be fiendishly difficult to assess.

Newco, for instance, will be the holding company consisting of Mercury Securities, Akroyd & Smithers, Rowe & Pitman and Mullens. To buy into the new venture, investors can choose Mercury or Akroyd shares; the Newco shares will not be created until the merger goes through. The terms have been fixed in advance, though, with Akroyd and Mercury shareholders receiving a combination of Newco shares and special preference shares related to the profits each company retains.

Shareholders in either Akroyd or Mercury therefore have to work out *what dividends they will receive* in the interim, how many Newco shares they will be given, and how much profit their company is likely to retain between now and then.

On these variables, Mercury still looks the better buy, though the gap has narrowed considerably since last November. The problem with working it out *is that* any calculation has to rest on imponderables, like how much money Akroyd is likely to make in the next two years. But using W. Greenwell's computer model, which values the shares on their likely income streams, Akroyd's shares would have to fall to around 360p from yesterday's 375p level to match Mercury's value. Alternatively, if Mercury's shares gained another 10p or so on their current 450p price, investors should think about a switch.

France may allow U.S. DBS stake

Continued from Page 1

diffusion (CLT), were, according to this deal, to be financed by advertising.

The October agreement has since been undermined by President François Mitterrand's surprise announcement last month which opened the way for France to bring in commercially funded local TV stations (operating from ground transmitters) next year. French and Luxembourg officials are due to meet today to discuss a series of problems bedevilling the accord.

Fearing competition from an alternative market for advertising, CLT has stated that it wants an important share – around 30 per cent – in the overall French local TV sector as a precondition for going ahead with the satellite venture.

Additionally, the *Luxembourg* Government has revitalised a project, originally backed from the U.S., to launch a competing satellite, GDL-Coronet, with European financial support. Coronet *last* week agreed to lease a satellite from RCA of the U.S. and reserved a launch slot with the Ariane space rocket for September 1986.

With tight state control of broadcasting a long tradition in France, the idea of allowing U.S. companies even a small stake in the satellite *project would have been anathema* until fairly recently.

The landscape has, however, been changed not only by President Mitterrand's about-turn on local TV – aimed at taking the wind out of the right-wing opposition's sails over broadcasting deregulation – but also by the intense interest of U.S. and British organisations in using existing cable and communications satellite links in Europe to beam programmes over national territory.

Leading three U.S. car makers' profits close to $10bn for year

BY PAUL TAYLOR IN NEW YORK

THE BIG three *U.S.* car makers, General Motors, Ford and Chrysler, had record combined net earnings of $9.8bn last year, a 55 per cent increase over the $6.3bn in combined earnings in 1983. The earnings surge reflects booming car sales

Chrysler, the last of the third major U.S. car makers to report its 1984 *results*, said *yesterday* that fourth quarter net earnings – aided by a $101.5m special gain, surged to $609.7m or $4.91 a share from $118.3m or 91 cents a share a year earlier on sales which increased by 41 per cent to $5.34bn from $3.8bn.

The sparkling fourth quarter performance by Chrysler, which contrasts with *lower net earnings* in the final quarter posted by both General Motors and Ford, helped push the number three car maker's full year net earnings to $2.38bn or $18.88 a share compared with $700.9m or $5.79 a share.

The full year earnings on sales of $19.57bn up from $13.26bn, include big *tax credits* in both years. *The* $883.9m gain last year compared with a $399m tax credit in 1983.

Nevertheless Chrysler's full year net operating earnings of $1.5bn or $11.75 a share compared with $301.9m or $2.35 a share in 1983, underline the dramatic improvement.

Overall, the combined *full-year* net earnings of the "big three" come at a time when Washington and the car makers are considering the prospects for a continuation of the "voluntary" restrain on Japanese car imports, are roughly in line with market expectations.

Full-year net earnings would have topped the $10bn mark had it not been for a 7.7 per cent decline in Ford's final quarter earnings – mainly reflecting higher tax rates – and a 32.4 per cent decline in GM's fourth quarter earnings reflecting the lingering effects of the autumn United Autoworkers strike.

Ford details, Page 15

IMF gives Brazil loan warning

Continued from Page 1

it unlikely that enough time is left to agree a new programme for 1985 before the Government changes.

Political decisions on the new programme will therefore have to be taken by Sr Neves, who has until now pursued a strategy of encouraging the outgoing Administration to reach debt agreements with both the IMF and commercial banks before it leaves office.

This would have left him with a *clean slate and able to claim* he *had* no responsibility for any further decline in Brazilian living standards that ensued from the new IMF agreement.

Brazil's commercial bank creditors are now being asked to extend until the end of May temporary arrangements for rolling over capital repayments currently falling due. Also to be extended are arrangements to maintain short-term trade credit and money market lines

Bankers believe that only a revision of the 1985 IMF programme to take account of the missed targets will provide a way out of the current impasse.

The likely role of the Neves Ad*ministration in this has been high*lighted by a secret meeting in Paris last week between Mr de Larosière and Sr Francisco Dornelles, currently head of the federal tax authority and tipped for the Finance Ministry post in the new Administration.

Mesa Partners takes 7.9% Unocal stake

By Our Financial Staff

MESA PETROLEUM, the company controlled by Texan investor Mr T. Boone Pickens, is part of a partnership, which has spent $584m on a 7.9 per cent stake in Union Oil of California, it was disclosed yesterday.

The partnership called Mesa Partners II, which includes Wagner & Brown and certain affiliates, plans to spend up to a further $616m on buying more shares in the U.S. integrated oil group.

Mesa Partners said that it had acquired 13.78m of Unocal's 174m outstanding shares and intended to buy more in the open market or privetely negotiated transactions but "it does not presently intend to seek to obtain control," of Unocal, the twelfth largest U.S. oil company.

Icahn 'might sell North Sea assets of Phillips'

BY WILLIAM HALL IN NEW YORK

PHILLIPS PETROLEUM'S important operations in the Norwegian and UK sectors of the North Sea will probably be put up for sale as a result of the takeover battle now engulfing *America's ninth largest* oil company.

Mr Carl Icahn, the Wall Street financier mounting a hostile takeover bid for Phillips Petroleum, said yesterday he would consider selling Phillips' North Sea operations as part of his plan to raise $3.7bn through asset sales to help pay for the takeover. He said Aminoil, the U.S. oil company recently acquired from R. J. Reynolds, and some of Phillips' refineries would also be sold.

More than half of Phillips' profits come from overseas and the bulk of these come from the North Sea. The biggest contributor is the Ekofisk field in Norway where Phillips has a 37 per cent stake and acts as operator.

Mr Icahn, who has been accused of planning to liquidate Phillips Petroleum if his hostile bid succeeds, went to some lengths yesterday to placate his critics. He stressed that he intended to keep Phillips' major businesses in Bartlesville, Phillips' current headquarters, and noted that even if Phillip's controversial recapitalisation plan won shareholders' approval, the company would have *to* sell $2bn of assets to raise the necessary finance.

Mr Icahn was the star witness called before a hastily-convened meeting of institutional shareholders at New York's municipal building yesterday morning. He faced an angry group of townsfolk from Phillips' home town of Bartlesville

Settlement of Laker claim expected

Continued from Page 1

sought by BA on behalf of all of them is believed to have been agreed within certain parameters, but not the size of the defendants' individual contributions.

In the face of all BA's endeavours, however, many of those involved in the settlement were yesterday keen to stress that many de*tails had still to be finalised* and written agreements were most unlikely to be signed before the last possible moment.

Commenting on an earlier report that the settlement would require BA to get all its ducks in a row by February 28, one participant said: "All the ducks may not be quite in a row but at least they're now in the same place." BA, said another, could still have trouble keeping them there.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	14	57	Dubrovnik	S	5	41	Malaga	S	19	66	Salzburg	Sn	1	34
Akrotiri	C	17	63	Faro	C	16	61	Malta	F	16	61	Seoul	S	1	34
Algiers	S	23	73	Florence	F	6	43	Manila	S	33	91	Singapore	C	29	84
Amsterdam	S	-1	30	Frankfurt	Sn	-5	23	Miami	S	6	43	Stockholm	F	-14	7
Athens	S	9	48	Funchal	F	17	63	Milan	S	3	37	Strasbourg	C	0	32
Bahrain	S	22	72	Geneva	F	6	43	Moscow	Sn	-12	10	Sydney	C	21	70
Bangkok	S	34	93	Gibraltar	S	18	64	Munich	Sn	0	32	Taipei	C	19	66
Barcelona	F	16	61	Guernsey	C	2	36	Nairobi	F	27	81	Tangier	F	17	63
Beirut	F	19	66	Helsinki	—	—	—	Naples	F	6	43	Tehran	—	—	—
Belgrade	S	-10	14	H. Kong	C	15	59	New Delhi	S	22	72	Tel Aviv	C	17	63
Berlin	S	-4	25	Innsbruck	Sn	-1	30	New York	F	-2	28	Tenerife	—	—	—
Biarritz	F	19	66	Inverness	S	2	36	Nice	C	9	48	Tokyo	S	7	45
Blackpool	S	4	39	Istanbul	Sn	-4	25	Oporto	C	15	59	Toronto	Sn	-6	21
Bordeaux	R	11	52	Jersey	C	2	36	Oslo	S	-9	16	Tunis	F	19	66
Brussels	S	-4	25	Jo'burg	F	21	70	Paris	S	3	37	Valencia	F	21	70
Budapest	S	-9	16	Las Palmas	S	19	66	Prague	C	-8	18	Venice	S	1	34
B. Aires	S	28	82	Lima	S	26	79	Reykjavik	S	3	37	Vienna	C	-4	25
Cairo	C	30	86	Lisbon	C	16	61	Rio de J'o	S	38	100	Warsaw	F	-7	19
Cape Town	S	27	81	Locarno	—	—	—	Rome	C	7	45	Zurich	R	-3	37
Caracas	C	26	79	London	S	1	34								
Casablanca	C	15	59	Los Angeles	F	16	61								
Copenhagen	F	[illegible]	[illegible]	Luxembourg	S	[illegible]	[illegible]								
Corfu	F	[illegible]	[illegible]	Madrid	S	[illegible]	[illegible]								
Dublin	F	4	39	Majorca	S	[illegible]	[illegible]								

Readings at mid-day yesterday.

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Snow Report

EUROPE

Andermatt (Sw.)	40–175 cm	New snow on icy base
Andorra	30– 80 cm	Good skiing on most pistes
Davos (Sw.)	40–180 cm	Good skiing on upper slopes
Grindelwald (Sw.)	40– 90 cm	Skiing greatly improved
Gstaad (Sw.)	35– 60 cm	Excellent skiing
Kitzbühel (Au.)	8– 80 cm	Good off piste skiing
Klosters (Sw.)	45–195 cm	Good snow but poor visibility
St. Moritz (Sw.)	70–130 cm	Good skiing still to be found
Tignes (Fr.)	110–180 cm	Powder on hard base
Val Thorens (Fr.)	110–210 cm	New snow on good base
Wengen (Sw.)	35– 85 cm	Good skiing in all areas
Zermatt (Sw.)	10– 70 cm	Skiing best above 200 m

European reports from Ski Club of Great Britain representatives.

THE U.S.

Aspen (Col.)	45– 54 ins.	Packed powder; 98% runs open
Sugar Bush (Ver.)	20– 48 ins.	Packed powder; 41 runs open
Killington (Ver.)	30– 55 ins.	Best conditions all season

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societäts-Druckerei GmbH, Frankfurt/Main. Responsible editor: C.E.P. Smith, Frankfurt/Main. © The Financial Times Ltd, 1985.

SECTION II – INTERNATIONAL COMPANIES
FINANCIAL TIMES
Friday February 15 1985

Warner loss rises to $586m despite disposal of Atari

BY PAUL TAYLOR IN NEW YORK

WARNER Communications, the U.S. entertainment group which is struggling to regain its earnings momentum following the sale of its loss-plagued Atari home computer unit last year, yesterday reported a full-year net loss of $586.1m.

The full-year loss, which follows a $417.8m net loss in 1983, mainly reflects a $611.7m loss from discontinued operations in 1984 and highlights the continued impact of Atari's past problems on its previous parent. In 1983 Warner reported a $406m loss from discontinued operations.

However, Warner continued to make some progress on the basis of continued operations. The group said earnings from continuing operations totalled $21.3m, or 31 cents a share, in the fourth quarter and $25.6m, or 12 cents, in the full year. This compares with a $6.8m loss from continuing operations in the 1983 fourth quarter and a $10.98m loss for the 1983 full year.

The latest quarter is the second consecutive quarter in which the group has managed to post positive results from its continuing operations. In the 1984 third quarter Warner reported net earnings from continuing operations of $24.4m. Revenues in the fourth quarter increased by 7 per cent to $535.4m from $499.4m and by 17.4 per cent to $2bn from $1.7bn in the full year.

The group noted that the loss from discontinued operations in the fourth quarter resulted from a change in the basis of accounting for notes from Atari which were previously carried on the company's balance sheet at $150m, together with an additional $75m reserve to cover the carrying values of other discontinued operations.

Previously Warner said that, as a result of recent uncertainties, it had chosen to account for the Atari notes on the more conservative cash basis, removing them from its balance sheet. Interest and principal amounts from Atari will be recognised as income when received.

R. J. Reynolds up 30% after restructuring

BY OUR NEW YORK STAFF

R. J. REYNOLDS Industries, the second largest U.S. cigarette maker, yesterday reported a sharp increase in fourth quarter and full year earnings from its continuing operations. The group has recently spun off its Sealand and Aminoil subsidiaries as part of an asset redeployment programme to concentrate on the tobacco, packaged foods and beverages industries.

Fourth quarter net earnings from continuing operations increased 30 per cent to $250m or $2.23 a share from $200m or $1.83.

A $9m loss from discontinued operations and a $275m gain on the sale of energy operations to Phillips Petroleum produced final net earnings of $525m or $4.61 a share compared with net earnings of $227m or $1.87 a year earlier. Final quarter net earnings then were bolstered by $27m in earnings from discontinued operations.

Sales in the final quarter increased 7 per cent to $3.53bn from $3.3bn, with all the group's major business lines showing advances.

The final quarter results helped lift full-year net earnings from continuing operations to $843m or $7 a share from $702m or $5.66 in 1983. Earnings of $92m from discontinued operations and the fourth quarter gain on the sale of Aminoil made final net earnings of $1.21bn or $10.27 a share on sales of $12.97bn. This compared with final net earnings – including $179m from discontinued operations – of $881m or $7.25 a share on sales of $12.3bn in 1983.

The consumer products division's record performance reflected higher unit volumes and market share gains, new acquisitions and the rapid expansion of the Kentucky Fried Chicken network.

Tobacco product sales were up 4 per cent for the year to $7.88bn and 4.1 per cent for the final quarter to $2.1bn. In the domestic market cigarette volume increased 1.2 per cent, about double the industry average.

Outside the U.S. the group said unit sales of its Camel brand grew by 13 per cent

H. J. Heinz

BRITISH job cuts planned by H. J. Heinz, the U.S. food group, will include the loss of 600 at its plant in Harlesden, north London. Yesterday's report stated incorrectly that the Harlesden plant would not be affected.

Paul Cheeseright in Brussels and David Lascelles in London analyse a Belgian financial group

GBL stumbles on expansion trail

THE RECENT mini-crisis at Henry Ansbacher, the tiny UK merchant banking group which had to back out of an ill-judged purchase of a Wall Street securities firm, was a costly mistake which led to the resignation of Mr Charles Williams, the chairman.

But it was also expensive for Groupe Bruxelles Lambert (GBL), the Belgian financial group which, along with its associate company Pargesa in Geneva, owns 29 per cent of the bank. To replenish Ansbacher's depleted resources, the two companies have agreed to subscribe about £15m ($16.3m) to a rights issue which will raise that stake to well over 50 per cent.

This succour was promptly offered. However, it marks a rare setback for the fast-growing empire of Mr Albert Frere, the Belgian business magnate, which has interests as diverse as Drexel Burnham Lambert on Wall Street, and industrial and financial groups in many European countries. It is perhaps best known for engineering the dramatic hijack of the Swiss arm of Paribas when the Mitterrand Government was trying to nationalise the large French bank.

The group is so complicated that the schematic diagram on the back of GBL's annual report bears more than a passing resemblance to plans for a computer circuit. But basically ownership resides with the Frere family, Volvo, Mr Paul Desmarais' Power Corp of Canada, the Lambert family and a number of smaller private and corporate investors.

Management control is exercised by Mr Frere and Mr Gerard Eskenazi, the deputy chairman who joined him from Paribas Suisse.

GBL's practice has been to find small or medium-sized institutions and take a shareholding with the approval of the local board and management. First it would seek to clean up the books. It would try to winkle out any nasty surprises before it came forward with a cash injection in the form of new equity. The next stage would be the arrival of some new executives to provide fresh impetus.

GBL's general aim, pursued with Pargesa, is to create a network of institutions, over which they would have effective but not necessarily absolute control, in the main financial centres.

Ansbacher is part of this strategy. The idea is that the institutions should act as a family, sharing particular skills. But although a co-ordinating team has been set up in Brussels, there is little to suggest that co-operation in the provision of high value-added services exists as more than an idea.

Apart from Ansbacher, the main financial elements of the GBL-Pargesa network are:

- Drexel Burnham Lambert, New York – high yielding bonds;

Empire builder – Mr Albert Frere

- Banque Internationale à Luxembourg – Eurobonds, fund management;
- Paribas Suisse, Geneva – shares, futures, institutional fund management, oil trade financing;
- Société Industrielle de Banque, Paris – foreign exchange trading.

GBL-Pargesa is negotiating a presence in Toronto, and GBL in its own right has a 10 per cent stake in Banque Bruxelles Lambert, the second largest Belgian commercial bank.

The smaller institutions are seen as moving around a tripod made up of GBL, Pargesa and the vehicle for their U.S. interests, Lambert Brussels Corporation. The central element of this last is Drexel Burnham Lambert, which, however, is not distributing dividends to GBL or Pargesa for accounting reasons.

Although Drexel Burnham Lambert has been associated with Groupe Bruxelles Lambert for a long time, the creation of an international financial empire started only after Mr Frere moved in at GBL in 1981-82. It was this movement which established the GBL-Pargesa link, so that not only does Pargesa hold 25 per cent of GBL, but the two have interlocking boards.

Until 1981, Mr Frere was best known in Belgium as the steel "patron" of the Charleroi basin. But his family interests had allied with Volvo of Sweden, Power Corporation of Canada and the Belgian interests of Paribas Bank of France to take over Pargesa, then a somewhat obscure Geneva holding company.

Pargesa wrested control of Paribas Suisse just before the French parent was nationalised and was then ready for GBL which, by 1981, was running into increasingly acute financial problems with the financing of foreign debt.

Since then GBL has been on a giddy path of fund-raising and acquisition. Four rights issues in three years have been accompanied by steady growth in dividends, although the stock has underperformed on the Brussels stock market.

The link with Pargesa and the expansion into international finance have broken the traditional pattern of activity for a Belgian holding company. Before Mr Frere and Pargesa arrived, GBL had a string of industrial interests and a 48 per cent stake in Banque Bruxelles Lambert.

Now the financial interests account for about half of the GBL investment portfolio. The industrial holdings remain in place as a revenue base for the financial expansion.

In both cases there is an attempt to link the new holdings to existing interests; Petrofina to other oil interests held by Cometra and Dupuis to GBL's television outlet through Compagnie Luxembourgeoise de Télédiffusion. A favourite word at GBL headquarters is "synergy."

GBL and Pargesa now have over $1bn in capital and a sprawling range of interests which, it is conceded, need to be simplified. One idea is that the financial interests could be grouped around the Pargesa pole and the industrial holdings around GBL. Meanwhile there is well-founded speculation that Pargesa will seek a Brussels bourse listing.

Mr Claude Vercambre, the director in charge of banking at GBL, admits that Ansbacher's losses were "a disappointment," especially since they came only months after GBL and Pargesa made their initial £23m investment in Ansbacher.

Carling in loss for final quarter

By Bernard Simon in Toronto

CARLING O'KEEFE, a Rothman of Pall Mall subsidiary, was hit by fierce competition in the Canadian beer industry and returned a loss of C$7.7m (U.S.$5.6m), or 37 cents a share, in the three months to December 31. This compares with a profit of C$13.4m or 60 cents during the previous corresponding period.

The latest result includes an C$11.7m write-off for about 200m compact beer bottles which have been made obsolete by the introduction to Canada of long-necked bottles. Carling wrote off C$6.6m for surplus bottles in its previous fiscal year.

The company's market share has also dropped sharply, reflected by a decline in operating profits in the December quarter from C$13.4m in 1983 to C$4.1m last year. Operating income for the first nine months of the fiscal year fell from C$49.3m to C$30.6m.

Carling said that beer sales volumes in Canada declined by 16 per cent, compared with a 3.8 per cent rise in total industry sales. Higher production costs and marketing expenditure also contributed to the fall in operating income.

Ironically, Carling was the first of Canada's three major brewers to introduce the popular long-necked bottle in May 1983 after signing a manufacturing and marketing agreement with the Miller Brewing Company of the U.S.

Carling's Beer sales advanced by 15 per cent in the year to March 1984 in a stagnant market, thanks largely to strong demand for Miller High Life.

Since then, its two main rivals have converted almost all their brands from the industry's standard compact bottle to private mould bottles, while Carling hoped to retain the compact container for its other brands.

Telerate lifts profits 27% in first quarter

BY OUR NEW YORK STAFF

TELERATE, the fast growing U.S.-based electronic business information group in which Exco, the UK money-broking group, has a 52.2 per cent stake, said yesterday that net earnings in its fiscal first quarter had increased by 27 per cent to $8.18m, or 19 cents a share, from $6.46m, or 15 cents a share.

Income before provisions for income tax and minority interest increased by 23 per cent to $17m in the quarter ended December 31 from $13.8m in the year-ago period on revenues which grew to $34.2m from $25.6m.

Mr Neil Hirsch, Telerate's president and chief executive, told shareholders attending the company's annual meeting that the earnings increase reflected a continuing healthy pace of domestic orders from existing users and new subscribers as well as continued strong overseas growth.

Higher prices cut Stelco loss

BY OUR TORONTO CORRESPONDENT

STELCO, Canada's largest steelmaker, suffered a net loss of C$3.3m (US$2.4m) in 1984, including a C$51.6m provision for the shutdown of uneconomic facilities, compared with a C$14.2m loss the previous year. Operating income in 1984 was C$48.3m.

The company said that higher selling prices and an improved product mix contributed to an 18 per cent rise in revenues to C$2.4bn. Demand was especially strong from the automobile industry, but the market for structural steel was static.

Ford ahead 53% in full year

BY TERRY DODSWORTH IN NEW YORK

FORD MOTOR, the second largest of the big three U.S. car manufacturers, achieved a 53 cer cent increase in net profits last year, despite a decline in the fourth quarter resulting from a higher tax charge.

Net income for the year amounted to $2.9bn or $15.79 a share, against $19bn or $10.29 in 1983. Sales jumped by 18 per cent to $52.4bn from $44.5bn.

In the fourth quarter earnings fell to $721m or $3.89 a share from $781m or $4.29. Sales rose by 8 per cent from $12.4bn to $13.4bn.

The group's fourth quarter figures were even less buoyant than they appear compared with the previous year, since provisions against the closure of certain overseas plants reduced net profits in 1983 by $60m.

Fourth quarter after-tax profits mainly as a result of this change, from $13m to $70m.

The company said, however, that the decline in its U.S. performance, where net profits fell by 15 per cent to $650m after tax, was accounted for by a higher tax charge.

The group added that the improvement in the full-year results primarily reflected higher sales

Major disposals planned by Montedison

BY ALAN FRIEDMAN IN MILAN

MONTEDISON, Italy's chemicals, health care and energy group, is planning to dispose of around L1,500bn ($750m) of assets in order to reduce its L4,000bn debts.

Mr Howard Harris, vice-president for strategy, said the company was to sell off "non-strategic businesses" in order to raise cash and complete the group's three-year restructuring programme. Mr Harris specified petrochemical, synthetic fibre and fertiliser businesses as candidates for divestiture.

Dr Lino Cardarelli, Montedison's group finance director, said the first major asset sale should be complete "by the end of March." But he was reloctant to say which busioess was being sold. It is understood that Montedison is currently lo oegotiations with a foreign company regarding the first asset sale.

Montedisoo is expected shortly to announce that it broke even in 1984, the first time the troubled chemicals group has not made losses since 1979. The group has been put through a radical management reorganisation and industrial restructuring, recruiting a number of foreign executives. It has sold hundreds of millions of dollars of lossmakers and has simplified its product structure.

Montedison in 1983 made a los of L322bn on sales of L10,600bn, down from the 1982 deficit of L859bn.

But the L4,000bn group debt, against shareholders' funds of around L1,400bn, remains a problem for the group.

In 1984 Montedison spent around L680bn on interest charges alone. This represented 6 per cent of group 1984 turnover of around L11,400bn.

East German credit lifted to $300m

By Peter Montagnon in London

EAST GERMANY scored another success in the Euromarkets yesterday when a $150m seven-year credit for its Foreign Trade Bank was doubled to $300m.

The large increase follows a pattern already established last year when a $150m credit for the same borrower led by Deutsche Bank was increased to $400m, underlining growing demand in the international banking community for high yielding East European assets.

The latest deal attracted attention, however, because its lead group consists largely of U.S. banks, marking their return to East European business after several years of restraint after the Soviet invasion of Afghanistan and the Polish debt crisis.

Bankers say that response to the new deal from U.S. banks has been positive, particularly from major money centre banks with regional institutions tending to hold back.

By yesterday market subscriptions to the loan from all sources were approaching $250m with commitments still flowing in, so that final demand for participations in the loan might not even be satisfied after the increase to $300m.

The attraction of the loan stems mainly from its margins of ⅛ point over Eurodollar rate or ⅛ point over prime. Though lower than on recent East German deals, these terms are still attractive in comparison with returns available elsewhere in the market.

The credit is led by Bank of America, Bank of Tokyo, Citicorp and Manufacturers Hanover.

International capital markets, Page 36

Suez to take over credit group

BY DAVID MARSH IN PARIS

SUEZ, the French nationalised financial and industrial group, is acquiring a majority stake in Sofinco, the country's second largest consumer credit bank, as part of efforts to build up a wider base in retail banking.

Sofinco, which is owned by the state under the 1982 nationalisation programme, will become 51 per cent owned by Suez in the second half of the year in a deal valued at about FFr 200m ($20m).

M Jean Peyrelevade, the Suez chairman, said yesterday the group would pay for the stake in the form of shares in Credit Commercial et Industriel, the large commercial banking group.

Under a deal announced last month, Suez is progressively selling its present 40 per cent stake in CCI in a FFr 1bn deal with the state and Groupe des Assurances Nationales, one of France's largest nationalised insurance groups.

Suez intends to boost its stake iu Sofinco over the next three years to around 60 per cent through a topping up of its capital resources.

Sofinco, which specialises in credit for car sales and purchases of general household equipment, estimates net profits last year at about FFr 45m after FFr39m in 1983.

The Sofinco deal is the latest in a series of restructurings of Suez financial interests. At the end of last year it agreed to take over the struggling Banque Vernes and the profitable retail bank, Banque Parisienne de Credit, although both, like Sofinco, are planned to retain their identities within the group.

M Peyrelevade said he was still intent on adding to the group's industrial portfolio. He was "optimistic" over the long-mooted project of taking a minority stake, perhaps 5 to 10 per cent, in Roussel Uclaf, the pharmaceuticals group.

INI full year losses trimmed to Pta 185bn

By David White in Madrid

INSTITUTO NACIONAL de Industria (INI), the Spanish state conglomerate which is in everything from cars to coal mining, finally managed to reverse the upward trend in its billion-dollar losses last year, according to preliminary figures announced by Sr Carlos Solchaga, the Industry Minister.

Sr Solchaga said total losses fell to Pta 185bn (just over $1bn) from Pta 204bn in 1983.

The 1983 figure included about Pta 43bn of extraordinary losses, including those resulting from changes i naccounting procedures.

The Minister said that 39 companies—the majority of INI's subsidiaries—had shown little change in their performance. Eight had done worse, notably in the capital goods and oilseeds sectors, and 23 had improved their results, including its aluminium and airline offshoots.

The group, in which Sr Solchaga put in one of his close associates, Sr Luis Carlos Croissier, as chairman last autumn in a bid to impose tough new management policies, was expected to fulfil its aims of a sharp reduction in losses over the next two years, he said.

Record profit for LKAB

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

LKAB, the state-owned Swedish iron ore mining group, achieved a record profit of about SKr 700m ($75m) last year, according to preliminary figures released by Mr Wiking Sjöstrand, managing director.

"The LKAB crisis is over and the future looks secure," said Mr Sjöstrand.

In the six years from 1977 to 1982 the group accumulated losses of more than SKr 2bn and had to be rescued by state intervention with aid totalling SKr 4.5bn.

The group, based in Kiruna in the far north of Sweden, has gone through a painful reorganisation with the loss of some 2,600 jobs or 35 per cent of the labour force.

The ban on recruitment has now been lifted, however, and the group is slowly starting to bire new labour.

LKAB showed a profit (after financial items) in 1983 of SKr 101m on sales of SKr 2.6bn. Sales last year totalled around SKr 3bn with profits rising some SKr 700m.

The market for ore in Europe increased strongly by around 20m tonnes last year, and LKAB increased its production to some 15m tonnes. It has budgeted for a production of 17.7m tonnes this year, but this could top 19m tonnes if the current economic recovery does not weaken.

Club Med lifts earnings

BY PAUL BETTS IN PARIS

CLUB MEDITERRANEE, the French holiday camp group, achieved a 21 per cent increase in consolidated net earnings last year to FFr 257m ($28.3m) from FFr 212.6m the year before. Sales rose by 19 per ceot to FFr 5.4bn from FFr 4.5bn the previous year.

The consolidated figures include the results of Club Med Ioc, the group's U.S. subsidiary quoted on the New York Stock Exchange. The French parent company currently owns about 73 per cent of the U.S. subsidiary which operates 21 resorts in the U.S., the Caribbean, Mexico, Asia and the Pacific and Inrian Ocean basins.

Club Med Inc saw its net earnings rise by 24 per cent to U.S.$12m last year, from $9.7m the year before.

Italian foods group share issue

BY OUR MILAN CORRESPONDENT

IBP-PERUGINA, the Italian foods group which was recently acquired by the family interests of Carlo de Benedetti, plans a L112.3bn ($56.2m) share issue to belp reduce borrowings. The company, which has L1,000bn of annual turnover, has L258bn of debt.

After a board meeting, it was announced that an extraordinary meeting of shareholders would be convened on April 15 to approve the issue of 33.3m new shares and 45.8m savings shares, all with a par value of L2,000.

Sig de Benedetti acquired 62.3 per cent of the group, which he wants to rename Buitoni Spa, for a price reputed to be around L40bn. The foods group employs 7,000 people.

Yesterday, Sig Bruno Buitoni, who was chairman of the group, handed in his resignation along with a number of other Buitoni family associates.

In their place Sig de Benedetti has appointed several of his closest collaborators, among them Dr Guido Roberto Vitale, the managing director of Euromobiliare, the Milan investment bank which handled the takeover.

INTERNATIONAL COMPANIES and FINANCE

Tan Sri Khoo bids for Wheelock

BY DAVID DODWELL IN HONG KONG

A CASH hid has heen made by Tan Sri Khoo Teck Puat, tha Malaysian husinessman with substantial interests in Singspore and Australia, for Wheelock Merden, the Hong Kong-hased property and shipping group, which values the group at HK$1.9hn (U.S.$24m).

Tan Sri Khoo has already acquired 6.7 per cent of Wheelock's "A" shares, and 22.7 per cent of its "B" shares—amounting to 13.5 per cent of the voting rights ln the company—from the family interests of Mr John Marden, Wheelock's chairman. Mr Marden is understood to have no further ioterests in the company, and as such the hid marks the end of his 39-year association with Wheetock.

Mr John Cheung, the other major shereholder in the compsny, has not yet heen persuaded to sell his holdings—estimated to be over 25 per cent of the voting rights—and is thought to he opposed to the spproach. Contested bids are a rare phenomenon in Hong Kong, and are even more rarely successful.

Using a Hong Kong-registered shell company called Falwyn, Tan Sri Khoo has offered HK$6 for every Wheelock ordinary "A" share, and 60 cents for every "B" share. Share dealings in thc company's shares were suspended yesterday, with "A" shsres at HK$5.80, and "B" shares at 44 cents.

N. M. Rothschild, which was appointed financial edviser to Tan Sri Khoo only on Wednesday, said Falwyn would not consider the hid unconditional until it had et least 50 per cent of the voting rights in the company.

Tan Sri Khoo is thc founder of Malayan Banking, and is a substantial shareholder in the National Bank of Brunei. in Singapore, he is understood to have significant holdings in both OCBC and UOB, two of the country's leading banks. In Australle, he owns the Travelodge group, which controls about 160 hotels and motels ecross the country, making it Australia's largest hotel cheln.

Speculation about a bld for Wheelock has been rampant for weeks. lt is known that a number of other potential hidders have held discussions with the group. Wheelock Marden has heen one of Hong Kong's most conspicuously vulnerahle groups for the past two years.

A poor relationship between Mr Marden, whose main interest has been in the group's shipping operations, and Mr Cheung, who has retained a close involvement in the group's property-related activities, has hobhled the group at a time when vigorous reorganisation has been needed.

Wheelock Maritime, the group's shipping arm, has had serious financial prohtems linked with world recession ln the shipping industry. lt lost HK$64.7m in the first half of 1984.

Group net profits in the first half of 1984 amounted to HK$52.48m—barely half the HK$101m first half profit in 1983. In addition an extra-ordinary loss of HK$129m was reported, mainly because of Maritime's shipping problems. Thls led to Peat Marwick Mitchell, the group's auditor, to qualify the accounts last year.

At the same time, Realty Development, Wheelock's investment subsidiary, has property-generated cash in hand amounting to more than HK$1hn. Other huoyant operations lnclude the Cross Harbour Tunnel Company and Lane Crawford, the high-quality retail chain.

Tan Sri Khoo, who was in Hong Kong for just four hours on Tuesday to discuss with Mr Marden the ecquisition of his atake, is understood to be keen to settle in Hong Kong. As an overseas Chinese, he is openly bullish ebout Hong Kong's future role as a conduit for husiness in mainland China.

Rothschild said yesterday that the offer document would be ready within three weeks. It said Tan Sri Khoo has written to the Wheelock board, asking for a meeting at which he wonld seek the directors' support for the bid.

Taiwan suspends seven bank officials

By Robert King in Taipei

TAIWAN'S Finance Ministry has suspended seven top officials of a credit co-operative bank amid allegations that threaten to shake the nation's financial system.

Last Saturday, the Ministry ordered the Tenth Credit Co-operative Bank, part of a diversified group which is one of Taiwan's largest conglomerates, to cease lending operations because its loans outstanding had exceeded the government-set ceiling of 75 per cent of its assets by 27 per cent. The family-run conglomerate, founded during the Japanese occupation, has interests in such areas as banking, construction, insurance and hotels.

That order set off a run on the bank which ended only after depositors had withdrawn more than New Taiwan $6bn (US$150m) and a government-run bank had guaranteed Tenth Credit's deposits But by then rumours had begun to surface that an affiliate, Cathay Plastics Corporation, whose chairman is also the chairman of Tenth Credit, was in debt by more than NT$10bn and that much of the bank's lendings had been to Cathay Plastics.

Bankers privately confirmed those rumours as mostly correct. Then, earlier this week, one of the bank's senior officers fled Taiwan with NT$21m, allegedly taken from depositors' accounts.

On Wednesday, nanic spread to another of the group's holdings, Cathay Investment and Trust Corporation, as investors, fearing that the troubles of Cathay Plastics and Tenth Credit might affect the second bank, withdrew NT$3bn.

Cathay Investment is run by another family me-ber, who has insisted that his accounts are separate

Al Baab seeks capital increase

By Mary Frings in Bahrain

AL BAHRAIN Arab African Bank (Al Baab) is calling on its shareholders for a 50 per cent capital increase to bring the total paid in to U.S.$150m. This is in addition to a $30m subordinated loan which the shareholders put up in December.

Al Baab was established as a locally incorporated Bahrain off-shore banking unit (OBU) in 1979 and the original capital of $25m has been raised to $100m by annual investments. The principal shareholders are the governments of Egypt and Kuwait. The privately-owned Arab Multinetional Finance Company has a 10 per cent stake.

Al Baab declared a profit for 1984 nf $15.8m in line with the November forecast of Mr Ebrahim Al Ebrahim, the chairman. This compares with the previous year's profit of $18.9m.

U.S. Quarterly Results

BRUNSWICK
Marine, recreational products

	1984	1983
Fourth quarter	$	$
Revenue	345.6m	302.2m
Net profits	19.8m	15.9m
Net per share	0.82	0.76
Year		
Revenue	1.47bn	1.22bn
Net profits	94.2m	66.1m
Net per share	4.42	2.94

CINCINNATI MILACRON
Machine tools

	1984	1983
Fourth quarter	$	$
Revenue	165.9m	163.5m
Net profits	5.3m	1.6m
Net per share	0.23	0.08
Year		
Revenue	650.5m	556.0m
Net profits	18.7m	†10.3m
Net per share	0.80	†0.46

† Loss

COMBUSTION ENGINEERING
Industrial equipment

	1984	1983
Fourth quarter	$	$
Revenue	901.4m	887.0m
Net profits	22.0m	5.6m
Net per share	0.66	0.17
Year		
Revenue	3.06bn	3.09bn
Net profits	*99.6m	†20.4m
Net per share	*3.00	—

* Includes $32m tax credit. † Loss includes $190m pre-tax charge.

GAF
Building materials

	1984	1983
Fourth quarter	$	$
Revenue	166.3m	167.7m
Op. net profits	9.6m	†38.9m
Op. net per share	0.61	—
Year		
Revenue	731.3m	699.4m
Op. net profits	41.0m	†29.2m
Op. net per share	2.62	†2.23

† Loss

HASBRO BRADLEY*
Toys and games

	1984	1983
Fourth quarter	$	$
Revenue	251.5m	82.1m
Net profits	†5.2m	6.5m
Net per share	0.58	0.37
Year		
Revenue	715.9m	223.9m
Net profits	62.4m	15.2m
Net per share	2.58	0.87

* 1984 figures reflect acquisition of Milton Bradley.

SHERWIN-WILLIAMS
Largest U.S. paint producer

	1984	1983
Fourth quarter	$	$
Revenue	501.5m	468.4m
Net profits	9.1m	7.3m
Net per share	0.40	0.51
Year		
Revenue	2.1bn	1.9bn
Net profits	65.0m	55.4m
Net per share	2.84	2.32

STERLING DRUG

	1984	1983
Fourth quarter	$	$
Revenue	457.5m	465.6m
Net profits	37.2m	35.5m
Net per share	0.62	0.58
Year		
Revenue	1.8bn	1.8bn
Net profits	142.4m	136.8m
Net per share	2.37	2.24

U.S. sales boost Toyota interim profits by 26%

BY JUREK MARTIN IN TOKYO

TOYOTA'S half-year parent company earnings show the full dimensions of the profit that a major Japanese exporting company can earn from the combination of a weak yen and quantitative restraints on sales to the U.S.

The leading Japanese car company's net income in the six months to December rose by 25.7 per cent to Y126.13bn ($480.5m) from Y100.3bn in the same period of 1983. Earnings per share were Y49.67, up from Y41.48. The company has raised its overall interim dividand by one yen to Y8 a share.

Profits before taxes and extraordinary items, amounted to Y285.13bn (against Y231.01bn). Sales rose 9.8 per cent to Y2,886bn from Y2,629bn.

Flushed with this success, Mr Shoichiro Toyoda, the company's president, announced in Nagoya, the company's headquarters, that capital spending in the current year will go up by Y45bn to Y250bn. Only two weeks ago, Toyota, a notoriously secretive concern, had flatly denied Japanese press reports that it was increasing its capital investment programme this year to the Y250bn level.

Not surprisingly, the principal interest in the Toyota results comes from its non-Jepanese activities. At a hasic level, this was demonstrated in the volume of vehicle sales: domestic sales fell in the six-month period by 3.7 per cent to 771,911 units, while exports rose by 11 per cent to 915,949 vehicles. Both at home and overseas, hus and truck sales did proportionately better than cars.

In financial terms, the contrast was even more marked. Domestic sales went up by 3.3 per cent in value to Y1,498bn and export earnings rose by as mnch as 17.6 per cent to Y1,388bn. The overall ceiling on Japanese straight car exports to the U.S.—1.85m total units, of which Toyota's quota in the current year, ending next month, is 554,000—has enabled Japanese manufacturers to maximise their return on each car sold.

Another externally derived benefit for tha company is its foreign exchange profit factor. In the period it amounted to Y13.8bn, because of the weaker yen.

Overall investment policy also disclosed the extent to which Japanese companies do not live from selling products alone. Toyote said its income from the investment of surplus funds amounted to Y57.50bn or about 20 per cent of its pre-tax income. It is not known how much of these funds were deployed in the U.S. market.

● Yamaichi Securities, one of the hroking 'big four,' may buy shares in Daishin Securities, one of the five major Korean securities houses, securities brokers said, reports Reuters from Tokyo.

Basic agreement on the acquisition has been reached. Daishin will raise its issued capital by 10 per cent from the present 20bn won ($23.98m). Yamaichi will subscribe for shares worth 1bn won.

Shares worth another 1bn won may be taken by W. I. Carr, Sons and Co (Overseas), a subsidiary of the UK's Exco, according to brokers.

FT COMMERCIAL LAW REPORTS

Counterclaim can plead arbitration point

REPUBLIC OF LIBERIA AND ANOTHER v GULF OCEANIC INCORPORATED AND OTHERS

Court of Appeal (Lord Justice Oliver and Lord Justice Neill): February 7 1985

A PERSON who asks the court to declare that he is not party to an arbitration agreement submits to the incidents of litigation, including liability to counterclaim, and is excluded for the time being from seeking orders which might in future be available to him as a party if the declaration is refused.

***

The Court of Appeal so held when dismissing an appeal by the Republic of Liberia and another, plaintiffs in an action against Gulf Oceanic Incorporated and others, from Mr Justice Lloyd's refusal to strike out part of Gulf's counterclaim in the action.

***

LORD JUSTICE OLIVER said that on April 9 1979 a Liberian corporation owned and controlled by the Republic, entered into a contract of affreightment with Gulf.

The contract obliged the corporation to provide, over three years, cargoes of crude oil to be carried by Gulf, to a certain minimum amount. It was to be governed by English law, and included an arbitration clause.

Disputes arose as a result of the corporation's alleged failure to supply cargoes of the requisite quantity. The substantial question was quantum of damage. The sums involved were over $5m.

On the face of the contract only Gulf and the corporation were parties, but Gulf claimed that in fact the corporation was acting as agent for the Republic. It invoked the arbitration clause against the Republic on the footing that it was party to the agreement, and nominated arbitrators.

On November 17 1983 the Republic and corporation together issued a writ naming Gulf and the nominated arbitrators as defendants, and claiming a declaration that the Republic was not party to the contract.

Gulf served a defence. Also it served a counterclaim by which it claimed a declaration that the Republic was party to the contract, and damages against the Republic for breach of contract. In the event of its being determined that the corporation was the principal to the contract, it pleaded the same case against the corporation, and claimed damages against the Republic in tort, alleging that it had wrongfully procured the corporation's breach of contract.

On February 10, 1984, the Republic and the corporation issued e summons by which they claimed *inter alia* that the counterclaim, except in respect of the declaration sought, should be struck out pursuant to Order 15 Rule 5 of the Rules of the Supreme Court (RSC) or under the court's inherent jurisdiction, on the ground that it ought to be brought by separate action or was otherwise an abuse of the process of the court.

Mr Justice Lloyd held that Gulf was *prima facie* entitled to raise its counterclaim and that the convenient course was for the whole matter to proceed as one to the court. He refused the relief sought. The Republic and corporation appealed.

Mr Mance on their behalf submitted that in exercising his discretion the judge failed to take account of four matters of principle and that that failure vitiated his decision.

First, he submitted that the judge failed to take the mandatory terms of section 1 of the Arbitration Act 1975 into account in considering whether it was proper for the counterclaim to be pursued at all.

Section 1 entitled a party to an arbitration agreement who as sued "in respect of any matter agreed to be referred" to apply for a stay of proceedings. By subsection (1) the court "unless satisfied that ... that is not in fact any dispute between the parties ... shall" order a stay.

Mr Mance was compelled to agree that the Republic was not in a position at the moment to make an application under that section since, if its contention were correct, it was not party to an arbitration agreement. Nevertheless, if its contention were wrong it would wish to make such an application.

It was therefore, Mr Mance submitted, wrong in principle that the court should assume jurisdiction over a matter which was plainly subject to the arbitration agreement and in respect of which, were it not for the Republic's initial point in the action, the court would have to grant an application for a stay.

RSC Ord 15 rule 2 entitled a party who was sued to counterclaim, but that entitlement was expressly made subject to rule 5(2) which provided that: "If it appears ... that the subject matter of the counterclaim ought for any reason to be disposed of by a separate action, the court may order the counterclaim to be struck out."

Mr Mance submitted that it was clear as a matter of principle that the counterclaim, so far as it related to damages for breach of contract, ought to be disposed of by a separate action, i.e. by arbitration.

"Action" was defined in section 151 of the Supreme Court Act 1981 as "any civil proceedings commenced by writ or in any other manner prescribed by the rules of court." An arbitration was not such a proceeding. Also, the fact that the court thought that in future it might be more appropriate for a matter to be dealt with by arbitration, could not be a ground for striking out a counterclaim.

Mr Gee for Gulf drew the court's attention to a number of authorities which established that a party who denied the arbitration contract, could not in the same breath rely on the submission to arbitration as entitling him to a stay.

There being thus no immediate impediment to the court's hearing the contractual claim there could be no reason in principle why it should be dealt with in separate proceedings.

Even assuming that an arbitration qualified as a separate "action," the highest it could be put was that the possibility of an application for a stay being made was a factor which might be taken into account in exercising a discretion under the rule. That was a matter which came broadly under the heading of convenience.

Secondly Mr Mance submitted that where a court was asked to declare whether e person was party to arbitration, it would subvert its inherent supervisory jurisdiction over arbitrations to allow e counterclaim to be raised relating to matters outside the ambit of that question.

The High Court had a general jurisdiction to entertain actions for declarations. The mere fact that the purpose of a perfectly ordinary action for declaration was to ascertain whether or not an arbitration clause was binding, did not put it into some special sacrosanct category of proceeding in which a counterclaim was not permitted to be made.

The fact was that a claim had been made, and under Order 15 Gulf had a right to make a counterclaim subject to rule 5(2) and to the court's power to restrain proceedings which were demurrable, abusive, vexatious, or would embarrass fair trial of the action.

The judge in his discretion concluded that continued pursuit of the counterclaim would not embarrass fair trial of the action. The fact that he did not treat the Republic's limited object in starting the proceedings as conclusive of whether the counterclaim would embarrass the trial or was an abuse, disclosed no error in principle which entitled the court to interfere.

Mr Mance's third point was that if Gulf, instead of counterclaiming, had attempted to assert its claim by original action it would not, having regard to the existence of the arbitration agreement, have obtained leave to serve proceedings out of the jurisdiction. Thus, he asked, why should Gulf be allowed to pursue by the counterclaim the claims which it could never have pursued by direct action?

Mr Gee's incontrovertible answer was that by becoming a litigant within the jurisdiction, a plaintiff submitted to the incidents of such litigation, including liability to counterclaim (see *Derby v Larsson 1976 1 WLR 202,205*).

The mere fact that the substance of the counterclaim could not have been pursued by direct action because of inability to effect service did not compel the court to conclude that the matter ought to be dealt with in separate proceedings.

Fourthly Mr Mance submitted that on the principle of consistency, Gulf, having chosen to seek arbitration in the first place, ought not now to be allowed to proceed with a counterclaim inconsistent with arbitration.

There were two short answers. Firstly, Gulf was perfectly willing to have the question of quantum dealt with by arbitration; secondly, even if the contractual counterclaim were inconsistent with continuance of the arbitration, that could not apply to the alternative claim in tort—and it was that alternative claim which really lay at the root of the case.

There was nothing to suggest that the claim in tort was incapable of being sustained in law or otherwise constituted an abuse. The sole question was whether it ought to be dealt with by separate action.

There was a great deal of common ground in the evidential material relating to the Republic's claim and to the counterclaim in tort. There were disadvantages to Gulf and advantages to the Republic in having them dealt with separately. The judge had to make a balance. He did so and there was no error in principle in his approach. The court could not properly interfere.

Lord Justice Neill gave a concurring judgment.

For the Republic and the corporation: Jonathan Mance QC and Stephen Tomlinson (Sinclair Roche and Temperley)

For Gulf: Steven Gee and Rosalyn Higgins (Middleton Lewis Lawrence Graham).

By Rachel Davies
Barrister

UK COMPANY NEWS

Imperial Group rises 13% to £220m

WITH THE second half producing nearly £130m pre-tax profits of the Imperial Group are right on City estimates at £220.8m for the full year ended October 31 1984.

This shows an improvement of 13 per cent over the £195.3m achieved in the previous year.

The final dividend is 5.55p for a net total of 8.55p, gainst 7.8p.

Introducing the preliminary figures Mr Geoffrey Kent, chairman and chief executive, yesterday gave an up-to-date picture of the position at Howard Johnsen, the American operation. He said that a decision en the company, including its possible disposal, would be made as soon as possible. The eptions are being examined, and investigations so far are far from discouraging.

A number of parties had expressed an interest in buying the company and "we have also been looking at different strategic thrusts we might make if we decide to keep it."

He said that 23 parties, not all of the American, had signed a letter of confidentiality, and were seriously interested in buying. The decision en Howard Johnson would be important to the group's future, but it would be wrong to get it out of proportion.

Mr Kent also made reference to recent bid speculation fer Imperial Greup. He said the company had noticed significant buying from America over the last three weeks, amounting te roughly 2 per cent of the equity.

"There is e small team ef people working en a defensive strategy for Imperial Group. It has been in positionfor ebout two years, he stated.

Highlights of the 1983-84 year show group turnover rose 5 per cent to £4.59bn, and thet improvements were recorded in trading profits of 13 per cent in tobacco, 12 per cent in food, and 12 per cent in brewing and leisure, while Howard Johnson showed a decline of 41 per cent in sterling terms. Of the operating profit of £231m (215.8m) the UK accounted for £207.1m (£185.6m).

Earnings per share were up 11 per cen to 28.5p pre-tax and by 13 per cent to 20.3p net. Shareholders' net assets et the year end had moved up from £896.5m te £1.04bn, equal to 139.4p (122.6p) per share; and borrowings were £254.1m (£237.9m); on a percentage basis representing a drop from 26.8 to 24.5.

Mr Kent believes the year's result "is creditable in the highly competitive markets" in which the group operates. It underlines the benefits now being received from a lower operating cost base and a strengthened balance sheet.

The main focus has been upon the organic development and expansion of the existing businesses. Capital expenditure was mere than £250m, mainly en meeting the increased demand for products and to generate new business. Improving efficiency and reducing costs also received attention.

UK divisions have maintained or strengthened their positions in terms of operating profit, market share, return on capital employed and sales, and in productive efficiency.

In tobacco, the group's share was held despite a fall in the market following the increase in duty in the Budget—over the year IMP's share of the UK cigarette market averaged 43 per cent. Although in brewing and leisure the operating profit was affected by some disruption ef trade because of the major investment programme in the managed estate, the underlying picture is "one of substantial progress across the division. And the food side is now strongly pleced in a number of key market sectors.

As for Howard Johnson, Mr Kent says it became apparent in early summer that it was unlikely to meet its financial targets. He concedes some of the reasons were understandable: the poor season experienced by the important Florida market; and the serious short-term disruption to the profitable Ground Round chain of restuarants because of a major refurbishment programme, which he says is "an essential investment for the future."

However, the chairman had expected that the considerable investment in Howard Johnson to improve the quality ef accommodation, food and service sheuld have begun to be reflected in results. Therefore, a comprehensive strategic review of the business and of the main options available to the board had been put in hand including possible disposal.

On the group's position in the current year, Mr Kent says the strike at Tadcaster brewery had a bad effect and cost some £5m. But the overall position for the first three months of the year is comparable with 1984.

Looking further ahead, be says progress will depend not only on the organic growth of existing operatiens but on the development of related interests.

In the year the gross profit on sales was up from £430.4m to £451.2m. Share of associates improved to £3.1m (£2.5m), with Taunton Cider and Ladbroke Courage Holidays contributing equally to the increase; Other operating income was £14.2m (£6.5m), the bulk of which came on the sale of pubs. Investment income fell to £5.1m (£5.9m), reflecting disposals of fixed asset investments, including the residual investment in U.S. poultry, and a lower average holding of tax deposit certificates.

Interest payable fell to £18.6m (£28.9m), with interest payable down by £5.3m and that receivable up by £5m. The positive cash flow and realisation into cash of certain deferred sales proceeds combined to reduce average borrowing levels. Benefit also came from the conversion into shares of £29m loan stock

Tax takes £88.7m (£65m) and minorities £400,000 (£200,000), to leave the net attributable profit at £151.5m (£130.1m). The tax rate this time is an effective 31% (33%). Higer taxable profits and reduced rates of tax allowances and reliefs, offset by a lower rate of corporation tax of 47.1% (52%) were the original causes of an increase in the corporation tax charge of £10.8m.

See Lex

DIVISIONAL ANALYSIS

	Turnover £m 1984	Turnover £m 1983	Operating Profit £m 1984	Operating Profit £m 1983
Tobacco	2,467.4	2,419.6	108.9	96.6
Brewing, leisure	904.5	8,867.4	80.0	71.6
Foods	692.2	623.6	31.0	27.7
Howard Johnson	556.0	485.7	11.4	19.4
Other activities	27.0	24.6	*0.3	0.5
Less inter-group	54.2	54.4		

* Loss

Cost increases pull back SAI profit

DIFFICULTIES in the fertiliser market have hit Scottish Agricultural Industry in 1984, and the profit before tax has fallen from £6.02m to £3.15m. Turnover dropped from £126.36m to £119.04m.

The directors of this ICI subsidiary believe that, despite the difficulties, investment under way and actions being taken give sufficient confidence to justify holding the year's dividend at 18.5p net—the final is 12p.

They explain that in a very competitive market it was not possible to recover in selling prices the large raw material cost increases. Those arose mainly from the sharp strengthening of the dollar, in which currency raw materials are traded.

Fertiliser selling prices were increased on January 1, but at current raw material costs the need exists for further increases during the year, they say.

Construction of a new £11m nitric acid plant began at Leith fertiliser works during the year.

Gross profit for the year came te £20.31m, compared with £22.46m. Related companies suffered a loss ef £232,000 (profit £11,000) and net interest received moved up from £40,000 to £607,000.

After tax £576,000 (£2.61m) and minorities £21,000 (£7,000) earnings per share are shown at 29p (38p). There is an extraordinary debit of £99,000 (£215,000).

Dale Electric midway slump

A LACK of demand in export markets has hit Dale Electric in the half year ended October 31 1984, resulting in turnover contracting from £19.44m to £15.81m and profit before tax from £1.31m to £365,000.

This is a carry through from the weaker second half of last year. But the directors feel the worst is over and are contemplating a "marked improvement" in the current half. Profits for the full year, however, will not reach the £2.16m of 1983-84. The interim dividend is being held at 1.5p net per share.

The lack of export demand is the more frustrating as currency exchange rates favour British exporters, says the chairman Mr Leonard Dale. The main manufacturing companies—Dale Electric, Houchin and Erskine—have all been affected similarly.

ATC, the aerospace service company, and Ottomotores Dale, the associate in Mexico, show significant improvements.

At February 11 the group's outstanding order book was ot its highest level for almost two years. Every effort is being made to reduce costs, streamline systems, and increase margins—leading to a strong, purposeful and competitive group.

After tax £68,000 (£380,000) and minorities £8,000 (£19,000), the net profit for the first half comes to £289,000 (£907,000). Earnings are 2.18p (6.83p).

● comment

The current year was never going to be easy for Dale but a drop in profits of almost £1m was not what the market had been expecting and the shares fell by an eighth yesterday to 67p. The world market for electric generating sets has been weak for some while but Dale was particularly hard hit in its leading export markets in Africa and the Middle East. Demand from key overseas areas fell about 30 per cent en average over the past year. Yet the Dale Electric division actually held its profits fairly much intact. What has so seriously undermined these figures is the completion of a Middle East defence related contract at Houchin, Dale's aerospace ground power company. That workload provided a handsome contribution in the previous couple of years but its completion left a hole. The most surprising point is that the event should have been predictable and yet shareholders were unprepared. Since then Houchin has rebuilt its order book and the generator business is benefiting from e somewhat quirky surge in demand from Nigeria. That should help full year profits to £1.3m or so for a p/e of just over 10 en a 35 per cent tax charge. More attractive is the near 10 per cent yield.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Anglo Am Secs	4.2	April 12	3.85	5.7	5.35
Birmid Qualcast	2.59	—	2	3.25	2.33
Dale Electric int	1.5	April 10	1.5	—	4.5
Elbief int	0.48	April 11	0.44	—	1.6
Glasgow Stock	1.3	—	1.1*	2.05	1.8*
Imperial Group	5.55	April 1	5.05	8.55	7.8
Killinghall Rubber	29.5	March 29	25.5¶	32.5	2.75¶
Lanes & London	3.13	March 28	2.88	3.13	2.88
Milbury int.	2.45	April 1	2.45	—	5.4
Palmerston int	1	March 12	1	—	3.5
Scottish Agricultural	12	April 4	12	18.5	18.5
Tribune Investment	1.7	April 10	1.38*	2.25	1.88*
Wagon Finance	2.5	—	1.88	3.38	2.5
Joseph Webb int	0.13	April 12	0.13	—	0.51
Yeoman Inv Trust	5.6	April 1	5.2	8.6	7.7

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Including 17.5 special from sale of investment.

Wagon tops £3m but warns on base rates

Wagon Finance Corporation has achieved record profits of £3.37m for calendar 1984, but Mr J. Chopping, the chairman of this Sheffield-based finance company, says that the recent movement in base rates now obscures the future as far as interest costs and new business levels are concerned.

The taxable result compares with £2m last time, confirming the chairman's midway confidence, is a result of the substantial increase in the level of business underwritten in previous years. This followed the opening of new branches in the second half of 1981 and the abolition of HP controls in July 1982. Turnover for 1984 was virtually static at £22.78m (£22.04m).

In addition the average cost of interest on borrowings declined slightly, and the group also benefited fully from the streamlining of the branch and dealer networks carried out in 1983.

There has also been a small reduction in the charge for bad debts, and the chairman says that had it not been for the miners' strike this reduction would have been greater. The instalment credit balances due by striking miners account for under 1 per cent ef the group's total portfolio

The directors are to propose an increased final dividend of 2.5p net per share against 1.875p, lifting the total from 2.5p to 3.375p. Earnings are stated at 7.8p per share against 3.7p. After the dividend, which will account for a total of £798,210 (£588,167), the group has £1.65m to add to reserves "to assist in financing future expansion."

● comment

It seems that everyone was surprised with these figures from Wagon except the company itself. In a way this can be forgiven because the major facters given for the two-thirds increase in pre-tax profits go back as much as three years. Either the market was having a memory lapse or it thought that the advantages had already come through. Either way, Wagon insists that these good recovery figures reflected the down-the-line benefits from new openings in 1981 and the 1982 abolition of HP controls. Certainly there was an undisclosed increase in net new business for the year overall while the lower level of interest rates during the period helped financing costs, bad debts were lower and there was a fillip from over provision of tax in previous years. The big imponderable, though, is the effect that the recent sharp increase in interest rates will have on both new business and the amount of interest that this highly-geared company will have to pay. If the current levels are sustained, the company's growth trend may well be reversed. The historical multiple is around 8.5 and the yield is 7.3 per cent at 68p.

Michael Cassell looks at the future for Mann & Co.

Estate agent braced to make quantum leap

THE RESIDENTIAL estate agency business is moving fast and the decision by Mann & Co to go public reflects its determination to keep up with the pacesetters.

Already, two agencies have reached the stock exchange and Lloyds Bank, through its Black Horse agencies, has quickly built up a nationwide network of branches by buying well-established, local businesses. The Black Horse symbol can be found on the front of 166 offices and embraces seven main estate agency operations.

About 60 per cent of homes in the UK are owner-occupied and most projections suggest the figure will rise as high as 75 per cent during the next 15 years. About 70 per cent of all private housing transactions are conducted through agents, but, with the big building societies taking a close look at the business, and cut-price property shops sprouting up in the High Street, life for the country's 8,600 estate agencies is set to become harder.

Agencies like Mann & Co believe thet the key to success lies in providing the public with a "one-stop" financial service capable of advising customers on every aspect of selling or buying a heuse. The company has for several years maintained connections with two giant North American brokers—A. E. LePage in Canada and Coldwell Banker in the U.S.—and believes their approach is a winner.

Mr Jeremy Agace, the 44-year-old chairman of Mann & Co, which was founded in 1891 and acquired by his father in 1937, says nething short of a comprehensive customer service will do: "The future for estete agency lies in the provision of a complete customer package et the point of sale."

The one area which the firm is not likely to rush into is conveyancing, which represents something of a legal minefield for an otherwise fairly straightforward business. Mr Agace in any case believes that selicitors are "now getting their act together" and will be able te effer a better service to which agency customers can be readily referred.

Mr Jeremy Agace, chairman of Mann

His company has already started putting the "package" philosophy into practice. In recognition of the fact that, on moving heuse, most people need to carry ent a comprehensive review of their financial affairs, Mann & Co established in 1980 an insurance broking arm, which centributes about 20 per cent of total profits.

The subsidiary, which operates at 34 agency offices, gives advice and assistance on the purchase of life insurance to support loan arrangements and intends to widen the range of life-related products as well as offering items like medical and contents insurance. A mortgage broking service is also provided and, in the year to May 1984, it arranged mere than £60m of heme loans.

Anether growth area involves a corporate relocation service which provides assistance on all property - related aspects of moving employees of large and multi-national corporations. More than 60 corporate clients have used the service in the past six months.

For some clients, the agency will purchase an employee's home in order to ease the moving process, although it can ultimately sell the property back te the employee's company at a guaranteed price. This type of "chain-breaking" has caused problems for others whe heve tried it, but Mr Agace sees ne reason why it could not ultimately be extended to all Mann & Co. customers. There ore no foreseeable plans to do so, however.

Mann & Co. has also developed en extensive surveying and valuatien operation, together with property management and letting services, and a department devoted te the commercial property secter.

One of the main reasens for the agency's growth has been its system of local partnerships, introduced as a means of expanding the house agency network into new geographical areas. Successful empleyees are given the chance of setting up businesses and splitting the initial capital and ensuing profits with Mann & Co. There are seven partnerships, eperating 37 branches end the 1984 group turnover figure ef £8.5m does not include any contribution from this part of the business.

The firm also established Countrywide, an association of more than 500 estate agency branches throughout the UK designed to refer business between members and help customers move around the country. The network was one of the main driving forces behind the decision for a Stock Exchange listing, having demenstrated the potential for a nationwide agency structure.

According te Mr Agace: "The longer-term objective is te eover the country. In the short-term, we want te complete the agency circle within a 10-to-40 mile band around Lendon. Going public will enable us to carry on growing internally while enabling us to ge out and buy what we haven't got. It is a quantum leap but we are ready for it."

Lively SE debut for Hillsdown Hldgs. shares

BY STEFAN WAGSTYL

Hillsdown Holdings, the food company made a lively debut on the stock exchange yesterday.

The shares opened at 180p—a 35p premium to the 145p striking price set in a tender offer for sale earlier this month. In active trading the stock fell back to 172p as stags, who had bought the shares for a quick profit, sold out.

But the shares soon recovered to close at 178p, supported by heavy purchases from institutional investors.

Hillsdown, which has interests in eggs, poultry, animal feed and meat, has a market capitalisation of £336m et the closing price, putting it among the UK's top 100 companies, alongside groups such as Dalgety, Fisons and Woolworth Holdings.

The company's stock market debut was marked by e demonstratien from an animal rights group, Animal Aid. Six demonstrators in bowler hats, three of them women, handed out protest leaflets outside the doors of the Stock Exchange.

Their placards read "Please don't deal in factory farming" and "Don't buy shares in slaughter."

Killinghall Rubber

Pre-tax profits at Killinghall (Rubber) Development Syndicate were sharply up at £561,366 in the year to June 30 1984, compared with £152,967 in 1983.

The rise was largely due to increased investment income of £442,180 (£92,278). Final dividend is set at 29.5p, making 32.5p for the whole year (27.5p, including special 17.5p dividend on the sale of investments).

Earnings per share, befere an extraordinary credit of £3.47m, stood at 33.13p (2.83p).

Camco income doubles in fourth quarter

Camco, U.S.-based oil and oil services company which is e 63.5 per cent subsidiary of the UK Pearson group, doubled its pre-tax income in the fourth quarter ended December 1984, from $3.01m (£2.76m) to $6.28m (£5.77m), on sales ahead by $7.3m at $46.74m.

Although pre-tax income over the year fell slightly, from $19.14m to $18.85m, net income moved ahead from $10.56m to $12.3m. Net sales for the year increased by $10.16m to $168.79m.

Mr Tausch, president and chief executive of Camco, said that profit margins have not improved counting,

due te severe competitive dis-

A dividend of 10 cents is being paid for the quarter against 7 cents last time. Dividends for the year total 36 cents (26 cents).

Earnings for the quarter emerged at 38 cents (23 cents), and for the year were 1.68 cents (1.45 cents).

Reckitt & Colman sees near £20m profit rise

Reckitt & Colman, the household products and goods group, estimates that consolidated pretax profits for 1984 will emerge at or above £105m, on turnover which at about £1.1bn exceeds the £1bn mark for the first time.

The figures, which compare with a 1983 taxable eutcome of £88.76m on sales of £981m, are given in a document detailing its proposed acquisition of the Airwick air freshener group from Ciba-Geigy of Switzerland.

The SwFr 500m (£165m) purchase price indicated in the December announcement will be "reduced to e limited extent," Reckitt says, because of a lower than expected outcome in Airwick's own results.

Trading profit at Airwick for 1983, originally put at £8m, has been recalculated at £7.3m after applying Reckitt's accounting policies. Its preliminary returns for last year, moreover, "indicate that sales and trading profits were below expectations, and that trading profits were slightly lower than the previous year."

The final value ef the deal will depend on Airwick's 1984 profits and its net asset value at the year-end, which Ciba-Geigy estimates at SwFr 213m. Reckitt's shareholders are being asked to approve the deal at an EGM called for March 1.

Sir James Cleminson, the chairman, says the acquisition will broaden Reckitt's base in the U.S. "This base will facilitate further expansion by acquisition or through the launch of additional products," he adds.

Yeoman Investment

Yeoman Investment Trust results for 1984 show the net asset value per share as 320.3p (259.3p) at December 31 1984.

Pre-tax revenue rose from £1.42m to £1.57m. Earnings per share were 8.79p (7.86p). The final dividend is 5.6p making 8.8p for the year (7.7p).

UK COMPANY NEWS

Birmid Qualcast up 31% as recovery continues

PROFITS advanced by 31 per cent, from £8.59m to £11.29m at Birmid Qualcast for the 53 weeks ended November 3, 1984, with some £6.5m of this achieved in the second half. The advance continues the group's recovery from the £54,000 loss in 1982.

Mr R. T. S. Macpherson, chairman of this West Midlands foundry group which manufactures lawnmowers and Petterton gas boilers, says that in view of these results the directors are recommending an increased final dividend from 2p to 2.59p net, making a 3.25p (2.33p) total for the year.

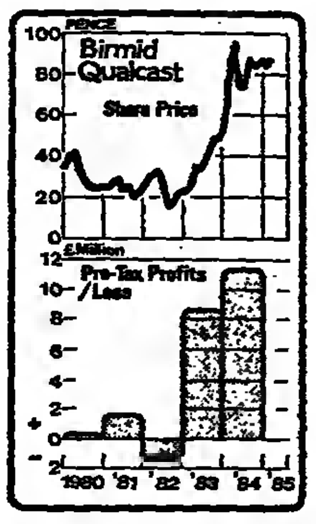
Stated earnings moved ahead from 11.8p to 13.9p.

Sales for the year moved ahead by £31.5m to £207.36m, giving an operating profit of £12.61m (£10.1m). The foundries division contributed £915,000 to this, representing a "considerable upward swing from previous years." Last time the foundries registered a £1.56m operating loss.

Demand for passenger car components improved, the chairman says, and the company's share of tractor component business increased. The continuing low level of diesel engine build in the UK, however, imposed limitations on the division's recovery.

The home and garden equipment division contributed £4.6m (£4.5m) to operating profits on sales of £54.67m (£46.7m).

In the face of the summer drought, the total lawnmower market fell by more than 10 per cent, but Qualcast's dominant share of the market was increased, and, he says, generated a satisfactory level of earnings.



Both the kitchen furniture company, and the bathroom ware company improved upon their previous performance.

Petterton contributed the largest share to profits, although at £6.88m it was slightly down on the £7.33m last year. Turnover increased from £34.84m to £36.93m, achieved against the background of a downturn in the heating market during the year, and intense competition.

Engineering, with the benefit of new investment, improved its profits notably in the UK irrigation company and in plastic products. At the operating level profits rose from £207,000 to £512,000, with sales of £20.72m (£17.49m).

There was a cash outflow in 1984, but net borrowings at the year end were held to 20 per cent of shareholders' funds.

Tax took an increased £2.09m ((£792,000), and minorities £15,000 (£23,000).

Extraordinary items, representing provision for costs involved in the closure of C. & B. Smith Foundries amounted to £4.97m (£353,000), leaving attributable profit at £4.21m (£7.42m).

● comment

Birmid Qualcast belied the pessimistic comments it made at the interim stage to bring out results which pleasantly surprised the market and added 4½p to the shares to 86½p. The advance was almost entirely due to a recovery at foundries which have been painfully dragged back into profit for the first time since 1979. The turnaround more than made up for limited increases in the kitchen and lawnmower businesses and a decrease in heating. These consumer-oriented operations, which kept the group in the black through most of the recession, suffered from intense competition, not least in the very public lawnmower battles with Flymo. So, what does Birmid do to generate more growth from its mature markets, now that loss-makers have been eliminated? Its answer is to invest in more efficient plant, in foundries and in the other companies, to win greater market share. It will inevitably be a slow affair — the group may beat £12m pre-tax this year, with rather more to come in 1985-86 if demand holds up. The shares, trading on a multiple of about 7 assuming a 35 per cent tax charge, are fairly priced to take account of the unexciting prospects.

Moving in before the Budget

BY WILLIAM DAWKINS

St James Estates is the latest in a long queue of property developers seeking to raise money under the Business Expansion Scheme before next month's budget.

The group, which is asking investors for up to £8m to fund the development and restoration of prime residential buildings in central London, is the eighth property company to seek BES equity since early December. They will have raised well over £30m between them if their offers are fully subscribed, and at least two more property groups are expected to follow their example within the next month.

The rush is believed to be at least partly motivated by sponsors' anxiety that the Chancellor might exclude property developers from the BES as part of his budget measures on March 19. Mr Lawson ruled in his last budget that agricultural groups should be dropped from the BES. Yet the scheme has continued to be criticised for attracting too many ventures outside its intended role as a source of funds for genuine job-creating opportunities.

Shareholders in qualifying BES companies are allowed to claim tax relief on their investments against their top marginal rate of tax, so long as the shares are held for five years.

Mr Richard Owen, joint managing director of United Trust and Credit, the licensed securities dealer which is sponsoring the forthcoming budget played a issue, freely admits that the part in the timing. St James' offer for subscription of up to 10m shares at 60p each closes on March 15, and share certificates will be posted to applicants on March 18, the day before the budget. However, he points out that its refurbishment work will provide some employment for the building trade.

St James which has not yet started trading, plans to buy properties for between £500,000 and £2m and sell them on as refurbished homes or split them into units to be sold for between £250,000 and £500,000 each. Chairman of the company is Mr Andrew Langton, the founder and managing director of the London estate agents, Aylesford & Company.

Profit trend continues as AI sets its priorities

THE PROFITABLE trend experienced at midway by AI Industrial Products continued into the second half, and the group has turned in full year profits for the first time since 1979. A turnround of £536,000 puts it in the black by £254,000 at the taxable level.

However, a net loss of £852,000 on the disposal of businesses was not balanced by similar amounts realised. £806,000 transferred from the revaluation reserve, and the balance sheet still shows a distributable reserves deficit of £261,000 on the profit and loss account. The directors say that the elimination of this will be one of the priorities for the current year.

The other targets will be to pay the arrears of preference dividends and restore the ordinary payment, omitted for the past two years. The ordinary 25p stock units show earnings at a stated 2.58p, against a 2.93p loss.

Group turnover came to £12.73m, a drop of £828,000. The group manufacturers ceramics, and in the course of the year sold its Advanced Materials Engineering offshoot and the loss-making Blakeley's (Malleable Castings) division. These sales reduced bank borrowings by around £1.3m. The bank overdraft had been eliminated by the year end, having stood at £1.54m at end 1983.

● comment

In spite of the determined second-half push, a reinvigorated AI is still short of proving it is finally out of the woods. Though if it had not been for the year-end deficit on distributable reserves of £261,000, the company might have returned to the dividend list. The irritating aspect of these figures is that there are £700,000 of surplus assets which, had they been sold in time, could have triggered off at least the preference payments. As it is, shareholders will have to wait but the indicators are that they are virtually certain to get something this year. Now that there is no engineering division to drag the company down, and gearing is down to about 12 per cent, the trading prospects look much healthier, with orders for ceramic electrical connectors running 45 per cent higher than this time last year. This is based on demand from the CEGB and a blanket order worth almost £2m from British Rail on its electrification programme. AI is also starting to get a good share of some Middle East and Far East contracts through customers like GEC, Hawker Siddeley and NEI. At 37½p the company is capitalised at £3.6m.

MINING NEWS

Gencor's £54m rights offer of Beatrix shares

THE South African Gencor mining and industrial group is to make a R109.5m (£54.4m) rights offer of about a quarter of the equity of its Beatrix Mines gold company to holders of Gencor ordinary shares, convertible preference and convertible debentures.

A total of 21.9m Beatrix no par value shares are to be offered on the basis of 23 shares at R5 (about 249p) per share for every 100 shares or debentures held in Gencor. The offer applies to holders registered by March 1 and is subject to the granting of a share listing on the Johannesburg Stock Exchange.

Federale Mynbou, which controls Gencor, will pass on its full entitlement directly to its own shareholders. For them this will mean an offer of 21 shares in Beatrix for every 100 ordinary shares, convertible preference or convertible debentures held in Federale Mynbou.

Beatrix Mines is 95 per cent-owned by Gencor with the remaining 5 per cent held by Anglo American Corporation. The company sold its developing gold mine in the Orange Free State to Gencor's Buffelsfontein Gold Mining company in 1983 under a tax-effective deal.

In return, Beatrix Mines receives a 15 per cent royalty on gross revenue of the gold mine.

The mine produced its first gold in 1983 and last quarter it milled 218,000 tonnes of ore for a production of 962 kilogrammes (30,929 ounces) of gold. It is due to reach full production by the end of this year at a quarterly milling rate of 500,000 tonnes of ore.

Gencor estimates recoverable ore reserves at 45.4m tonnes with an average gold recovery grade of 6 grammes per tonne. The mine's total life prospect is around 27 years.

Mr Tom de Beer, an executive director of Gencor, said that Beatrix had been developed on an in-house basis as a growth opportunity for Gencor shareholders. He said: "We feel the time is now ripe to give Gencor shareholders the opportunity for a direct participation in, and to benefit from, this venture."

The deal will clearly help Gencor's finances while the share-market may welcome the chance of participating in the fortunes of a promising, albeit modest grade, gold mine via manageably-priced shares.

Newmont suffers sharp fourth quarter reduction

AMERICA'S Newmont Mining, the diversified natural resource major in which London's Consolidated Gold Fields has an interest of some 26 per cent, managed to remain in profit last year but suffered a sharp reduction in fourth quarter earnings.

They fell to $5.6m (£5.15m) following a loss of $20.7m on the non-ferrous metal interests and a pre-tax write-off of $4.5m from a cancelled copper lease in Arizona. The net result was that Newmont's total earnings for 1984 amounted to $42.3m, or $1.39 per share, compared with $52.9m in 1983.

The major adverse factor in the past year has been the fall in U.S. gold and copper prices, but the group's coal, gas and oil earnings rose to a record $57.9m from $49.9m in the previous year.

Operations at Atlantic Cement, Foote Mineral and Sherritt Gordon Mines produced a break-even result in the fourth quarter and for the year their overall loss was narrowed to $3.3m from $11.6m.

Bougainville second half loss

THE Rio Tinto-Zinc group's big Bougainville open-pit copper and gold mine in Papua New Guinea has run into a loss of K5m (£4.6m) in the second half of 1984.

Following a virtual halving of profits in the first six months, this has left a net profit for the year of K11.6m compared with K54.7m in 1983.

A final dividend of 2 toea (1.8p) makes a year's total of 4 toea against 13 toea in the previous year.

Bougainville has been hit by a combination of reduced production, brought about by declining ore grades and a 16-day industrial dispute, increased costs and low metal prices. The company is 53.6 per cent-owned by CRA which, in turn, is 52.9 per cent-owned by RTZ.

GrandMet U.S. is hit by competition in cigarettes

EXTERNAL SALES of Grand Metropolitan rose from £1.3bn to £1.44bn in the first quarter of the current year, an increase of 10.9 per cent. Excluding the effects of acquisitions and disposal, the rate of increase was 12 per cent.

The figures are announced along with the first quarter results required by the Securities and Exchange Commission, of the hotel and leisure group's subsidiary GrandMet USA. These show a drop in net earnigs from $30.06m to $21.04m (£19.27m), after tax charges $11.33m lower at $16.04m.

The reduction in operating income, from $53.64m to $34.45m, was mainly due to lower margins on sales of generic and private label cigarettes during the quarter, following the entry of a competitior into this segment of the market.

The company's response to the competitor's policy of offering customers substantial discounts in the form of promotional price incentives has reduced operating income from the cigarette business to "little more than nominal levels," say the directors.

Net sales rose from $419.08m to $446.11m.

The figures have been arrived at in accordance with U.S. purchase accounting procedures and will require material adjustment before translation into sterling and incorporation into the consolidated accounts of the parent company. The Paris Stock Exchange requires disclosure each quarter of the sales trend of Grand Metropolitan.

Milbury halftime progress

Profits of the housebuilding, property investment and development group Milbury, which is headed by Mr Jim Raper, have increased from £403,000 to £535,000 in the half year ended September 30, 1984. Turnover advanced from £7.97m to £16.18m.

The interim dividend is again 2.45p net. Taking in exceptional credit £160,000, the comparative half-year profit came to £563,000.

Tax takes £32,000 (£8,000) and earnings are shown at 4.11p per share (9.81p on old capital). Last year there was also an extraordinary credit of £269,000.

For the year ended March 31 1984 the group made a pre-tax profit of some £2m and paid a dividend total of 5.4p.

Joseph Webb dives midway

CONSIDERABLY lower pre-tax profits of £120,019 against £452,177 have been produced by Joseph Webb for the six months to the end of September 1984. This follows the cessation of land sales which last time contributed £631,145 to trading profits.

The directors say they expect results for the current full year to be twice those for the interim period. They describe this as satisfying since there will be no further land sales this year. In the last full year pre-tax profits came to £405,410 (£122,351).

The interim dividend has been held at 0.133p, although earnings per 5p share are shown as falling from 0.57p to 0.27p.

Turnover was down from £3.22m to £2.41 — the directors point out that results do not include French holiday activities, with which the company was previously concerned. A negotiated settlement has been completed with the landlord of the principal French site, say the directors, and provisions made in the last full year appear to be adequate.

In the UK, holiday results turned round from losses of £78,550 to profits of £201,690 at the trading level.

A subsidiary, Parkland Caravan Holidays, has acquired a 28-acre holiday site at Looe, Cornwall, for £675,000 in cash.

UK COMPANY NEWS

Tony Jackson on Reed's £10m sale to Wiggins Teape

Contrasting attitudes to paper

Reed International confirmed yesterday that it is to sell its UK paper merchanting subsidiary, Spicer-Cowan, to Wiggins Teape for £10m. The move came three days after Reed announced the closure of its loss-making board mill at Thatcham, Berks.

Spicer-Cowan is the third largest paper merchant in the UK, with current sales of around £70m. The largest is Wiggins Teape itself, with turnover of about £130m, followed by USM-quoted Robert Horne with £105m.

The market for paper merchanting has been very crowded in recent years. Besides the big three, there are several hundred small local operators, some of which are highly efficient and profitable. Both Wiggins Teape and Robert Horne have also been solidly profitable, with the latter making £6.5m at the pre-tax level last year. Spicer-Cowan, though, has been squeezed in the middle, having done no better than break even last year at the trading level after years of losses.

For Wiggins Teape, the attractions are nevertheless twofold. Its own paper merchanting business deals only in various grades of fine paper, whereas 30 per cent of Spicer-Cowan's sales are in packaging. Again, Wiggins Teape is already in the process of rationalising its 15 depots down to five larger and more sophisticated outlets. Spicer-Cowan, with 20 outlets, can be drawn into the same process, though some £20m of combined sales will probably be lost in the process.

The behaviour of the two companies—Wiggins Teape consolidating its position, Reed cutting its losses and moving out—finds a good analogy in the field of paper making. For the best part of 20 years paper making in the UK has been a battlefield, under heavy import pressure from Scandinavian producers whose vast integrated mills make them unbeatable on cost at the cheaper commodity end of the market.

Back in the mid-1960s Reed dominated the UK market, with an annual output of over 800,000 tonnes of paper and board. Even by 1978, output was close on 750,000 tonnes. But since then, with the retreat from newsprint manufacture and numerous other mill closures the total has fallen (allowing for this week's announcement) to only 400,000 tonnes.

Wiggins Teape, by contrast, has chosen to hang on. From an output 20 years ago of under 200,000 tonnes, it had climbed by 1978 to 300,000. At present the figure still stands at that level, but is produced in fewer mills and on far fewer machines.

"Even before this acquisition," says Wiggins Teape chairman John Worlidge, "our total investment in the past five years comes to over £100m. This year we're going to spend £12m on our new carbonless papers in South Wales, £7m on self-adhesive papers at St Neots and another £2m in Scotland.

"Of course, we've also been doing a lot of rationalising in the last couple of years and getting out of commodity grades of paper. But we're determined to keep a good commitment to the UK paper industry, and in the fined grades we reckon we're already the UK's biggest producer."

Reed's attitude to the UK industry is more ambiguous. Further closures are not ruled out, but the group is anxious to avoid the impression that it is to quit UK paper-making entirely. In the long run, though there is obviously a question mark over the scale of Reed's commitment to an industry which will if anything get tougher as time goes on.

UK PAPER AND BOARD CAPACITY

	1978 Reed	1978 Wig. Teape	1985 Reed	1985 Wig. Teape
No of mills	9	11	7	9
No of machines	30	31	13	22
Capacity (tonnes 000)	746	300	405	295

Source: Laing & Cruikshank's UK Paper and Packaging Directory

Booker hits out at Dee's bid tactics

By Alexander Nicoll

Booker McConnell, the food and agribusiness group, yesterday rejected Dee Corporation's £323m bid and said that "Dee's tactics generally and its offer in particular are totally inappropriate and unacceptable."

It emerged yesterday that Dee's all-paper bid could only be increased in what the Takeover Panel considered to be exceptional circumstances.

This is because the supermarkets group, which has recently sold a fifth of its near 20 per cent holding in Booker, said in making the new bid that it may continue to sell Booker shares if it considered that Booker's share price was at an unrealistic level.

Although selling the target's shares in the market is a tactic used before by bidders in takeover battles, Dee is the first to make such a statement of intent when announcing an offer.

The Takeover Panel has ruled in this case that a bidder which says it might sell the target's shares is barred both from buying the target's shares in the market during the offer period, and from increasing its offer — except in exceptional circumstances which are difficult to define but likely to be rare.

Under the Takeover Code a bidder is barred from declaring an offer final before the first closing date. It must also give at least 24-hours notice of a possible share sale.

Dee raised questions in the City about the extent of its enthusiasm to acquire Booker — its first bid was referred to the Monopolies Commission last June and received clearance last month — by pitching its all-paper offer at the market price.

The Dee camp, however, was dismissing such doubts yesterday and pointing to the more than doubling in Booker's share price since the first offer was made.

Yesterday's share price movements, with Dee down 3p at 205p and Booker up 1p at 280p, put the value of Dee's paper offer slightly below Booker's market value. Both sides are counting heavily on profit estimates which will be included in their formal offer and defence documents.

Tricentrol raises £45m through convertible rights

BY DOMINIC LAWSON

Tricentrol, the oil and gas exploration company, is raising £45.3m through a rights issue of 11 per cent convertible unsecured loan stock 1995-2005. The issue is on the basis of £1 of the convertible stock for every two shares held as of February 8.

The money is to be used to help fund Tricentrol's exploration and appraisal programme over the next two years. In particular Tricentrol has shared in a series of gas discoveries in the North Sea, which now require appraisal for possible development. Tricentrol also cited its share in the Tallsman oil discovery in Australia, as requiring "substantial funding."

Ideally, Tricentrol would have wanted to fund its appraisal programme out of production from its earlier generation of North Sea finds. But Mr Nigel Turnbull, Tricentrol's finance director, said yesterday that mistakes we made in the past in the U.S. have drained the money that we should now be using."

Last year Tricentrol engaged in major rationalisation of its over-exposed U.S. position by selling $73m-worth of its U.S. onshore acreage. Mr Turnbull revealed yesterday that the company would be seeking additional savings in the U.S. of about $20m over the next two years by reducing its interests in a number of its 52 blocks in the Gulf of Mexico.

However, the current rights issue is essentially an expansionary move, enabling Tricentrol to maintain its growth in the North Sea.

Tricentrol yesterday estimated that its net profits for 1984 were about £30m, compared with £24.2m in 1983. The company expects to recommend a final dividend of 6p net per share, payable on May 31, making a total of 10p net, the same as in 1983. Tricentrol expects to pay the same dividend in 1985.

Mr Turnbull said yesterday that Tricentrol had considered a straight equity rights issue, but that financial advice was that the market would not swallow that many new Tricentrol shares.

Mr Michael Unsworth, oil analyst at stockbrokers Scott Goff Layton said yesterday that the convertible issue was an "elegant solution" for a company with a depressed share price.

He pointed out that the net cost of the interest on the stock to Tricentrol would probably be less than the cost of paying dividends on an equity issue of shares to the same value. Mr Unsworth added that shareholders would have to pay about 120p for £1 of stock before the return on the investment was in line with that on the equity. So the issue should be attractive to shareholders.

The issue was underwritten by Morgan Grenfell. Brokers were de Zoete & Bevan.

Tricentrol's share price gained 2p yesterday to close at 205p, compared with the 1984-85 high of 227p.

The main details of the Convertible Stock are as follows: Interest; 11 per cent per annum, payable half yearly on May 31 and November 30, beginning on May 31 this year. Conversion price; the effective conversion price at the issue price of par is 200p per Tricentrol ordinary share based on the conversion rate of 50 shares per £100 nominal of convertible stock.

The stock may be converted in the month of June in each of the years 1988 to 1995 inclusive. Any stock outstanding on November 30 2005 will be repaid at par on that date together with accrued interest.

See Lex

Joseph Webb PLC

INTERIM REPORT (UNAUDITED)

	Six months to 30.9.84	Six months to 30.9.83
	£	£
Turnover	2,409,674	3,223,117
Operating Profit	309,778	652,593
Holidays (Note 1)	201,690	(79,550)
Property Investment	108,088	100,998
Estate Development	—	631,145
Interest	189,759	200,416
Profit on Ordinary Activities before Taxation	120,019	452,177
Taxation on Profit on Ordinary Activities	44,300	298,446
Profit on Ordinary Activities after Taxation	75,719	153,731
Preference Dividend 2.625 pence per share (same)	6,563	6,563
Interim Ordinary Dividend 0.1313 pence per share (0.1313 pence) (Note 2)	31,812	31,812
Earnings per 5p Ordinary Share (Note 3)	0.27p	0.57p

Note 1:
The results of the French activities have been eliminated as full provision was made for these in the Accounts for the year ended 31st March, 1984.

Note 2:
The Interim Ordinary Dividend is payable on the 12th April, 1985, to members on the Register at the close of business on the 7th March, 1985.

Note 3:
The earnings per share are based on 25,728,705 ordinary shares in issue.

GROUP OPERATING PROFITS
Group Operating Profit was £309,778 (£652,593) and takes into account a depreciation charge of £218,248 (£213,462). Group Profit before Taxation was £120,019 (£452,177); and a provision for Taxation based on a rate of 45% (50%) of £44,300 (£298,446) has been made.

PROFIT BY ACTIVITIES
Holidays and Leisure
Holiday interests in the United Kingdom made a contribution of £201,690 (loss £79,550). No contribution has been included for our French activities as these are now limited to one small site and is, therefore, not expected to be material. In accordance with normal practice, one-half of the full year's results from our holiday interests has been included in this report.

Property Investments
Property Income was £108,068 (£100,988).

Estate and Property Development
There were no land sales during the period under review—NIL (£631,145). The results for the full year ending 31st March, 1985 are expected to be twice those for the interim period. This is a source of satisfaction to the directors as there will be no contribution from land sales in the current year.

DIVIDEND
Your directors have declared an Interim Dividend of 0.1313p per ordinary share being the same amount per share as last year's interim.
It is proposed that this interim dividend should be paid on the 12th April, 1985, to those members on the ordinary shareholders register at the close of business on the 7th March, 1985.

ACQUISITION
One of our subsidiary companies Parkland Caravan Holidays Limited, has acquired a freehold 28 acre holiday site known as "Great Tree Holiday Park" at Looe, Cornwall, with planning consent for 318 caravan units, fully licensed club, ballroom and swimming pool, for a consideration of £675,000 in cash payable in 3 instalments over 2 years, interest free. Your directors consider that this acquisition will be beneficial to the Group's interests in the self-catering holiday sector in the United Kingdom.

FUTURE PROSPECTS
French Activities
Your directors are able to report that a negotiated settlement has been completed with the Landlord of the principal French site and as a result the provisions made at 31st March, 1984 would appear to be adequate.

United Kingdom
Early indications are that the level of bookings and enquiries for U.K. holidays are on the increase, and although the trend continues to be towards later bookings the present position is by no means discouraging.

In the United Kingdom:-
Holimarine
Holiday Villages and Caravan Parks

In the South of France:-
Holimarine Europe
Caravan Parks

Dubilier in £2.1m sale to Wimpey

By Alexander Nicoll

Dubilier, maker of electrical and electronic connectors, is selling to George Wimpey, the construction group, a division which re-sells imported electronic components to distributors and equipment manufacturers.

The sale price of the Bicester, Oxfordshire-based division is £2.1m in cash plus a possible future payment of £300,000 depending on profits. Net profits of the division in the year ended September 30 1984 was £300,000.

The Bicester unit, which employs about 40 people, re-sells imported components such as capacitors and resistors. Dubilier was formerly a manufacturer of such products itself, but got out of the market.

Under Wimpey's ownership, the division will be renamed Wimpey Dubilier under a three-year agreement.

Manchester Ship

Highams has acquired 9.75 per cent of Manchester Ship Canal.

Manchester's company secretary Mr Ronald Collinge said that Highams had indicated that they regarded the stake as a "good investment," and added that he had no reason to suppose they were considering an offer for the balance.

Manchester's shares rose 48p yesterday to close at 323p.

BET and Gomba in row on Wembley development

BY CHARLES BATCHELOR

A dispute has broken out between British Electric Traction (BET) the laundries, publishing and transport group, and one of its partners in the development of Wembley Stadium.

BET is seeking to wind up London Leisure and Arts Centre (LLAC), the ultimate holding company of Wembley Stadium, in an attempt to obtain payment of a £1m debt BET alleges is still outstanding. Control of LLAC changed hands last month when Gomba Holdings (UK), a private company controlled by Mr Abdul Shamji, increased its stake in LLAC from 20 to 85 per cent.

BET said yesterday that its BET Leisure Holdings subsidiary would present a petition in the High Court for hearing on March 18 to wind up LLAC. BET said it was still owed £1m by LLAC as part of the £25m purchase price of a 51 per cent stake in Wembley Stadium BET sold last July.

BET said payment had initially been deferred until November and then deferred again until January, when Gomba Holdings took control of LLAC.

Gomba said yesterday it would vigorously oppose the petition and pointed out that the alleged debt dated from long before it took control of LLAC.

Wembley is controlled through a pyramid of holdings companies. LLAC has a 58 per cent stake in Arena Holdings, which in turn holds 51 per cent of Arena Ltd. BET sold this stake to Arena Holdings last July but retains 49 per cent of Arena Ltd. Arena Ltd owns Wembley Stadium.

Gomba has anounced ambitious plans to develop the 70-acre Wembley site in North-West London with the addition of a second conference centre, an hotel and offices.

Brook St. leap on bid talks

Shares in the employment agency Brook Street Bureau spurted for the second successive day yesterday after the company said it had recently received several approaches which could lead to a bid for the company.

Mr and Mrs Eric Hurst are joint chairmen of the company and speak for a majority of its equity.

The shares yesterday gained 7p to 125p, making a 24p two-day increase and valuing the company at £12.9m.

United News reaches target

United Newspapers, publishers of the Yorkshire Post, Punch and Exchange and Mart, has increased its stake in Fleet Holdings to 20.09 per cent, up from the 19.7 per cent it announced it held earlier this week.

This means United has reached its stated target of a 20 per cent stake in Fleet after buying a 15.76 per cent holding from Mr Robert Maxwell's Pergamon Press.

Akroyd Mercury merger 'no shotgun marriage'

Shareholders of Akroyd and Smithers, the stockjobber, were told yesterday that the ambitious merger with Mercury Securities, the holding company for S. G. Warburg, the merchant bank, and the two stockbroking firms of Rowe and Pitman and Mullens was "no shotgun marriage."

The concept of the merger, said joint chairman, Mr Timothy Jones, "was first discussed between us some two years ago. The first phase culminated in the announcement made in August of last year of the financial terms of our relationship. Since then, an enormous amount of detailed planning work has been done for the formation of the new company which will take place when stock exchange rules allow."

Speaking at the annual general meeting, Mr Jones said that "the more we work with our new partners in planning our future, the more enthusiastic we all are about this new group that we are putting together. Probably because most of us have known each other for such a long time, we find that all look at the many complex issues in a very similar fashion."

He said there was "much to be done" to ensure that when minimum commission scales are dismantled on the Stock Exchange on "big bang" day, which is expected to take place in October 1986, "we will have the best and most efficient banking, securities and asset management group in this country."

BCA increases stake in Sandgate to 33.5%

British Car Auctions is to increase its stake in Sandgate Corporation, a U.S. vehicle leasing business, to 33.5 per cent rather than merging the company with BCA's U.S. subsidiary, as originally planned.

BCA, which is headed by Mr David Wickens, said yesterday that the change of plan was due to delays and complications in the merger negotiations. It still plans to merge the two businesses, but at a more "appropriate time in the future."

BCA, which already holds 200,000 shares in Sandgate, is to acquire a further 120,000 at $30 each from the chairman of Sandgate, Mr Harold Oshry, and his family.

Sandgate will then sell Universal Ford, the company's dealership franchise, to the Oshry family, in return for the surrender of not less than 96,000 Sandgate shares.

Mr Oshry will resign from the chairmanship. BCA expects that its deputy chairman, Mr William Benton, will take his place.

BCA will emerge as the largest single shareholder in Sandgate, with three members on the board, for an outlay of about $8.2m. Sandgate had sales of $62m in the year to June 1984 and earnings of $2.84m.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: G. M. Firth, Lister, Quest Automation.

Final: Cobra Emerald Mines.

FUTURE DATES

Interims:

Addison Communications	†Feb 19
Ayer Hitam Tin Dredging	Feb 18
Elders IXL	Feb 19
New Cavendish Estates	Feb 20
Page (Michael) Partnership	†Feb 19

Finals:

Amstrad Consumer Electronics	Feb 26
Anglo American Gold Inv	Mar 7
Ault and Wiborg	Feb 22
Britoil	Mar 21
Charterhouse Petroleum	Mar 28
BRG	Mar 27
General Accident Fire and Life	Mar 6
Griqueland West and Finance	†Feb 25
United States Debenture Corp	Mar 13

† Amended

BANK RETURN

BANKING DEPARTMENT

	Wednesday February 13 1985	Increase (+) or Decrease (−) for week
Liabilities	£	£
Capital	14,553,000	—
Public Deposits	4,817,063,705	+ 270,860,861
Bankers Deposits	716,780,703	− 131,753,257
Reserve and other Accounts	1,070,056,852	− 67,997,790
	6,618,454,330	+ 71,109,805
Assets		
Government Securities	615,623,089	− 6,055,414
Advance & other Accounts	826,093,872	− 162,764,123
Premises Equipment & other Secs.	5,168,868,668	+ 234,891,547
Notes	8,009,006	+ 4,978,442
Coin	259,995	+ 50,263
	6,618,454,330	+ 71,109,805

ISSUE DEPARTMENT

	£	£
Liabilities		
Notes Issued	11,070,000,000	+ 20,000,000
In circulation	11,061,390,994	+ 15,021,558
In Banking Department	8,609,006	+ 4,978,440
Assets		
Government Debt	11,015,100	—
Other Government Securities	1,990,020,476	186,582,252
Other Securities	9,068,964,424	+ 206,582,252
	11,070,000,000	+ 20,000,000

THE PROPERTY MARKET

BY MICHAEL CASSELL

Fraser House joins pack

FRASER HOUSE Commercial Developments this week joins the pack of newly-formed property companies chasing atart-up capital from investors in search of tax relief under the Government's bustness expansion scheme.

Fraser House is being sponsored by Robert Fraser & Partners, the rapidly expanding financial services group which, until 1980, formed part of what was then Freser Ansbacher and which ultimately sees itself as another merchant bank.

Subscriptions open today and the £3m target brings to £15.5m the total being sought by the three BES-inspired property groups launched in the last two weeks. Still more are expected to reveal themselves before budget day on March 19, when the Chancellor could spoil all the fun.

Fraser House claims that, unlike its competitors, it represents a newly created, independent developer, rather than merety an extension of an existing property operation. Recruits to the board include a surveyor, an architect end a master builder but, even so, the company will be drawing heavily on a Robert Fraser team which has recently put together a string of syndicated development projects using clients' funds.

Fraser will, in return, take fees equel to 2.5 per cent of construction costs as well as 15 per cent of development profits. There will be no saleries before 1990 for the directors—who heve put £100,000 into the company—although sbare options could eventually give them 20 per cent of the issued capital.

By way of contrast, Guinness Mahon Property Managers, who will run Lockton Developments, another of the new BES property companies, expects an annual fee equal to 2.5 per cent of net assets and 20 per cent of any development profits. The managers will also take directors' fees. The management team et London & Bristol, the other most recent BES newcomer, will draw e project fee equal to 3 per cent of total development costs—equating to 15 per cent of net profits—and directors coutd end up with 35 per cent of any increase in net assets.

Fraser House will be adopting a flexible developcent policy but intends to concentrate on £1m-£2.5m office and retail schemes in the south of England. Alan Coutts, corporate finance director of Robert Fraser, acknowledges the recent decline in the number of institutionally forward-funded projects but believes demand for newly completed, quality investments with sound covenants is unlikely to weaken. He also expects interest from owner occupiers.

Coutts is the man behind Fraser's recent syndicated development projects, incinding Bank House in Harrow, let to the Bank of Ireland and sold last year to Barclays Life Assurance for nearly £2m. The syndicate's share of costs was raised in £25,000 tranches and the subsequent sale showed e pre-tax return of 48 per cent in 18 months. Fraser also syndicated the equity finance for a £2.15m redevelopment project at Stafford Place, London W1, which was sold on to e High Commission for £2.87m. A 9,000 sq ft office scheme is now underway in Wimbledon.

Judging by the initial response to the share offers announced so far, the creation of development companies offering investors the chance to play the property game while picking up some not inconsiderable tax relief appears to be a popular formula for attracting funds.

There are potential drawbacks. No BES-inspired company can be totally sure it will establish qualifying status until trading ia underway and neither can it guarantee that its status will be maintained in the eyes of the Inland Revenue. Investors seeking the full benefits of tax relief are locked in for five year and anyone who wants to get out earlier will usually have to rely on the prospect of e limited, matched basis, market in the shares. Dividends in the early years seem highly unlikely.

At the end of the five-year period, the companies can be sold, wound up or could seek e Stock Exchange or USM listing: the likelihood is that a variety of fates await them—and their investors.

Montagu pulls out of Billingsgate

SAMUEL MONTAGU has finally cancelled plans to occupy the Billingsgate office development in the City of London, jointly developed by S. & W. Berisford and London & Edinburgh Trust.

Last July, the merchant bank, which is 60 per cent owned by Midland Bank, signed the largest letting deal ever achieved in the City, agreeing to pay over £6m a year—about £27 a sq ft—for the Billingsgate complex.

In December, however, Midland Bank became concerned about rising costs at Montagu and a management crisis followed which resulted in the resignation of Mr Staffan Gadd, the chairman who had supported the Billingsgate deal.

Mr Gadd felt that Montagu should share new premises with W. Greenwell & Co, the stockbroking firm which it is in the process of buying. Following his departure, the commitment te centralise operations at Billingsgate was put under review.

Now Montague has decided against the move and will, through Healey & Baker, have to find another taker for the expensive lease signed with the developers. For the time being, Montagu plans to remain at Old Broad Street while Greenwells, the stockbroking firm in which the bank plans to step up its existing 29.9 per cent stake, will stay at Bow Bells House.

● Darcon Properties has acquired the freehold of 112 High Holborn, a shop and office building facing Holborn underground station which it intends to refurbish. Darcon, represented by Thomas Deal, paid around £500,000. Barrington Laurence acted for the vendors.

● John Lelliott Developments is to build a 40,000 sq ft Tesco superstore in Epping High Street. Tesco will purchase the scheme for about £3m. Hales are acting for Tesco.

● Scammell Properties, represented by Chestertons and A. C. Frost, have let their 3,600 sq ft office building in the centre of Bracknell for £12.50, a record rent for the local market. Still in Bracknell, Estates & General Investments, in association with Napier Securities, has started a £1½m high-tech scheme on the western industrial estate. Debenham Tewson & Chinnocks say the buildings are for sale or to let.

● Sainsbury is buying an 8.5 acre site at Stevenage from the Commission for New Towns and is to develop a 34,000 sq ft supermarket, two shops and extensive community facilities.

PosTel goes shopping

POSTEL Investment Management has spent nearly £20m in acquiring four, prime retail investments in the UK.

Last year, PosTel said it intended to step up its retail investment programme, concentrating on prime, city centre locations, to improve its overall portfolio balance.

The latest acquisitions, through Bernard Thorpe, are at Galloway Gate, Leicester, where over £10m has been spent on acquiring a freehold block of seven shops, Northumberland Street, Newcastle, Princes Street, Edinburgh and Park Street, Walsall.

● Barclays Bank has sold the 2,000-year lease held on 161-162 New Bond Street, Mayfair to an overseas investment company based in Zurich for nearly £4m. Leighton Goldhill, who acted for Barclays, say 20 companies made offers for the property, which is planned around a private courtyard. It will be refurbished and part-redeveloped.

● The London borough of Islington has now given full planning permission for the £27.5m office development planned by London & Metropolitan Estates in Ropemaker Street. The 337,650 sq ft scheme will comprise two separate buildings and has been designed by the Covell Matthews Wheatley Partnership.

UK Provident digs up planning fight

PLANS revealed this week to develop offices on one of central London's oldest remaining open spaces seem certain to provoke a major planning battle.

The London Diocesan Fund announced that it has sold the freehold of Christchurch burial ground, the only remaining open site along Victoria Street, Westminster, to United Kingdom Provident Institution. The mutual life company intends to build offices on part of the three-quarter acre site, which once formed the precincts of Christchurch Westminster, one of the many London churches destroyed during the last war.

The site has been an open space for over 350 years and, until last year, was maintained by Westminster City Council under a £1-a-year rental agreement with the Rector of St Margarets. Among those buried there are Colonel Blood, immortalised for trying to steal the Crown jewels from the Tower.

UK Provident, which also developed the adjoining BAT headquarters, have appointed Macburst as project managers and Denys Lasdun as architects. Jeremy Taylor, managing director of Machurst, says the intention is to retain over half the site as open space.

"We want to develop e building the very highest architectural quality which will make an important contribution to the eppearance of Victoria Street and the surrounding area. We also want to create open space which is infinitely more useful and attractive than that which already exists."

Taylor says the development team is well aware of the council'e longstanding opposition to any development of the site but intends to convince Westminster that it is offering "something which will enhance, rather than detract from the location."

Westminster says it has agreed to seek a compulsory purchase order for the site in order to ensure that it remains an open space. Councillor Alan Bradley, chairman of the planning committee, adds: "The site represents a lung in the middle of a concrete jungle. We will resist any development."

Having parted with an undisclosed but significant sum for the site, UK Provident is unlikely to be easily put off, even though Victoria office market has not been strong and impending projects on the other side of Victoria Street by United Real Property and the Crown Estate will eventually add another 170,000 sq ft of office space to the local market.

Despite this, the eventual development of the Christchurch site is an attractive prospect for UKPI and continuing resistance by Westminster means the fate of the scheme will almost inevitably be decided over the road at the Marsham Street headquarters of the Department of the Environment.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Marcus Bierich: wanted "really interesting work"

'A top class hobbyist'

Jonathan Carr on the varied career path of the head of West Germany's Robert Bosch

FOR JUST over six months the man long called "the philosopher prince" has been king of a realm which devotes much of its wealth to charity.

No doubt that sounds more like something from Grimm's fairy tales than a description of a key West German management change. But then there have always been story-book elements both about the career of Dr Marcus Bierich and the concern he now heads, the Robert Bosch electricals group. Put the two together and the result is very unusual indeed.

Bierich, aged 58, might well have gone into academic life like his father, who was a Professor of Medicine in Hamburg. The young Marcus studied natural sciences and philosophy—then gained his doctorate with a dissertation on mathematics. But instead he went into banking, then industry, then insurance—floating ever higher until he moved into the Bosch job.

Tha way Bierich puts it, the career changes sound quite straightforward. "On the whole I always moved because of outstanding people," he says simply.

First there was Dr Friedrich Ernst, senior partner of the Delbrück bank in Hamburg, who offered him a job in the early 1950s. Bierich was already half-committed to going to Unilever—but he chose the bank instead, drawn by Dr Ernst's strong personality (he had opposed the Nazis and been jailed by them) and wide financial background. With Delbrück Bierich learned banking from the bottom up—notably in Berlin, London and New York—until Ernst died "and then I felt I had no reason to stay on."

The next big influence was Dr Günter Vogelsang, the dynamic and widely admired finance director of the Mannesmann steel and engineering concern. In 1961 he was looking for help with ambitious restructuring plans and Bierich, fired by the prospect of a creative boss in a new field, took on the job.

Six years later Vogelsang moved to Krupp and Bierich succeeded him as finance chief, playing a key role in regrouping and extending the Mannesmann empire over more than a decade. It was during the "Bierich era," for example, that the steel pipe company Mannesmannrohren Werke was formed (under a "division of steel interests" deal with Thyssen) and the merger with the Demag engineering concern carried through.

Bierich's "third career" began in 1980 after his old friend Klaus Götte (now head of the GHH engineering group) stepped down as finance director of Allianz, the biggest West German insurer by far. The Allianz post is well known for demanding great intellectual skill and a wide knowledge of business and industry in investing DM billions' worth of underwriting funds. Small wonder that Bierich took it on and once again helped change the shape of a major enterprise.

He is co-author (with Dr Wolfgang Schieren, the chief executive) of the Allianz restructuring plan which will allow the group much greater room for manoeuvre in diversifying and making acquisitions.

So far that might be the tale of a talented man somewhat frustrated by an inability to make it to the very summit. But a former boardroom colleague surely comes close to the truth when he says of Marcus Bierich "I can think of no manager I admire more. He never pushes and seems almost to treat his career as though it were a hobby. But the results are really top class."

Indeed, when Bierich speaks about his professional life he sounds as if he is referring to someone else. "I could have become a professor of mathematics," he remarks thoughtfully, "but not a very good one. For that you need the creativity of an artist . . . As for the top jobs, no I never went after them. I simply wanted really interesting work—and I am lucky enough always to have had that."

Where does this detachment come from? His perspective on life was radically affected at the age of 16 when his anti-aircraft battery suffered a direct hit and he narrowly escaped obliteration. He has also been heavily influenced by his love of philosophy which is tied to a deep affection for England; after the war, in order to finance a visit to England, he worked on the land near Oxford with a group of other Hamburg students and made contacts which gained him an introduction to Bertrand Russell.

With that background of theory and practice, it is not hard to see why Bierich has become head of that almost unique enterprise Robert Bosch. Bosch is well known worldwide as a major electricals group (annual turnover about DM 15bn), concentrating on automotive equipment but also diversifying into fast-growing sectors like communications technology.

It is not so well known that Bosch is a limited liability company and that, in accordance with the will of the founder, almost all the shares are in the hands of a charitable foundation. That means that most of the profit not ploughed back into the company is paid to the foundation (around DM 34m in 1983 alone) which in turn spends it on hospitals, social welfare, and on furthering German-French relations, and the like.

Perhaps ironically Bierich, who has long sought to promote a more active German stock market with more companies "going public" is now himself head of a private concern. But as he points out, it is a very special case. "How often do you have a chance to promote that sort of work?" he asks, reeling off a list of projects recently sponsored by the Bosch foundation. Morever, he stresses that Bosch's earnings power is so strong that for the forseeable future it will have no problem financing its expansion from its own funds.

There is a final point. When Bierich says he generally made career moves because of "outstanding" personalities, he certainly had Dr Hans Lutz Merkle, his predecessor at Bosch, very much in mind. Merkle, aged 72, is an almost legendary figure who built up his company over 21 years to its present eminence—and exercised an influence far beyond into West German economic and political life.

It was Merkle (along with members of the Bosch family) who asked Bierich to become the new head of Bosch (the fourth in the company's century-old history).

Some commentators foresee storm clouds over Bosch, claiming that Merkle, in his new role as head of the supervisory board, will still seek to dictate company policy.

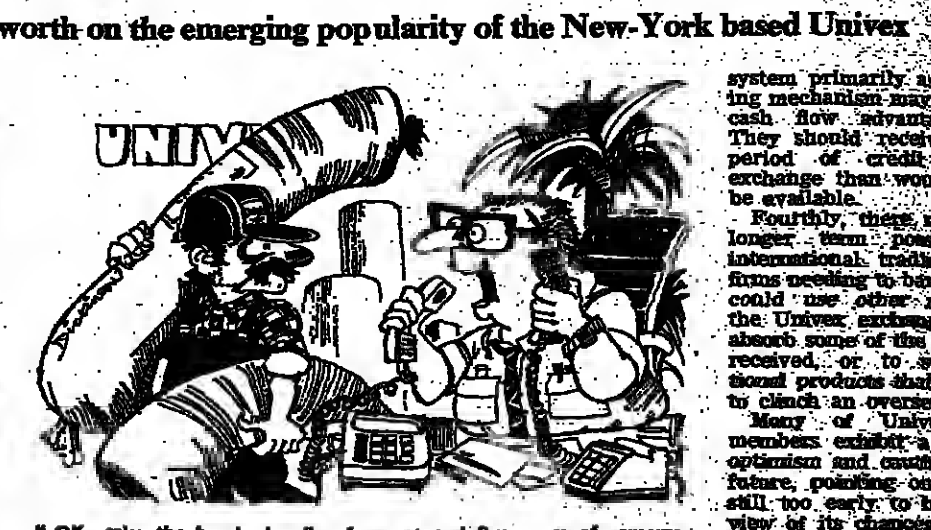
This is almost certainly underestimating both the old and the new chief executives. Merkle did not choose Bierich because he hoped he would be malleable but because he wanted the best for Bosch.

As for Bierich, for decades he has shown a capacity not just to avoid friction with some pretty tough bosses (like Schieren of Allianz and Egon Overbeck of Mannesmann). He also quickly gained the confidence of employees in one company after another—and he is doing it again at Bosch. "He has only been here a little while," said one veteran at Bosch with approval "and already he has people eating out of his hand."

International trade

Something akin to barter

Terry Dodsworth on the emerging popularity of the New-York based Univex



"OK—take the hundred rolls of carpet and five gross of cameras to the top of the World Trade Center—and collect a new anchor for the QE2"

PHILIP STEIN is an out-and-out entrepreneur, a New York-based trader whose inventive ideas have created a good number of companies and generated a great deal of money down tha years. He has now turned his mind to what he claims is an entirely novel concept — a company which acts as a kind of broker to help big corporations trade products directly in transactions akin to barter.

Since it broke on the world around two years ago, Univex, Stein's new company, has becoma a small phenomanon. It has attracted a number of heavyweight clients, including United Technologies, Burlington Industries, Citibank, CBS Publications, Cunard Lines, Polaroid and Hertz. Quoted on the Nasdaq over-the-counter exchange, it has proved equally attractive to investors, its shares romping up among the leaders in last year's stock exchange performance tables.

Nasdaq, home of many of yesterday's high tech shooting stars, hardly gives the most measured guide to any company's fortunes. But Univex appears to have attracted support for two reasons. First, Stein has set out from the start to give the company an aura of respectability, attracting to the board some weighty contact men, including Jack Parker, the former vice-chairman of General Electric, and, more recently, Walter Wriston, the recently-retired chairman of Citicorp. Secondly, many investors believe that the "countertrade" system developed by Univex has the potential for substantial growth.

The way the system works is this. Unlike traditional barter, which brings together just a buying and a selling partner, Univex links a number of companies together in a mesh of trading relationships.

For instance, Karl Hormel, U.S. president of Leitz, the West German camera and instrument company, says he is negotiating with several Univex members, including Holiday Inns, to sell cameras to be used in promotional activities. He has already used the system to purchase both goods and services; he has acquired carpets from Burlington, the textiles group, for the company's offices, and bought advertising with CBS Publications, which he expects to buy from him in return.

Each partner in any scheme has to have annual sales of at least $75m as a guarantee of stability, although there is also an associate membership category. On joining, members supply an irrevocable letter of credit of $250,000 and agree to offer a minimum of $500,000 annually in products or services. Univex then keeps track of all transactions between the partners, giving sellers a trade credit, and purchasers a trade debit.

The novel point about Univex is that the system allows companies to trade with a number of partners. Company "A" may sell in a cashless transaction to company "B," but it may decide to buy from company "C" only, and so on.

The problem of unequal balances at the end of the accounting period has been tackled by allowing a cash payout opportunity for those companies that are in credit to the system, having sold more than they have bought. Cash is provided through the companies in debt and automatically assured through the letters of credit.

One of the virtues of the system, says Stein, is its flexibility. A company may choose only to buy or only to sell. It can buy from just one partner in the organisation and sell to two, or vice-versa. If it wants to increase the size of its commitment, all it has to do is to increase the value of its letter of credit.

"This is not barter," he insists, "and we are not middlemen. Wa own no inventory. We are a clearing house." To finance itself, Univex charges fees—$10,000 to join, a further $5,000 in subsequent years, and a 6 per cent commission.

Stein believes that barter has to some degree lost its good name in recent years by being used too much for distress sales of products which could not be shifted in any other way. Univex, he argues, ought to appeal to companies for more positive reasons.

First, many companies, he says, may use the system simply to increase the scope of their market. For them, Univex provides a quick entree to potential clients—indeed, the Univex staff is constantly on the lookout for potential transactions between member companies. Univex has also started holding conferences which partners can use like trading conventions, while some members have looked at the possibility of doing joint promotions.

Secondly, Univex brings an element of liquidity to barter-type arrangements that was not available before. More deals are possible because companies no longer have to find an ideal match for an exchange.

Thirdly, some companies that are interested in using the system primarily as a purchasing mechanism may see positive cash flow advantages in it. They should receive a longer period of credit from the exchange than would normally be available.

Fourthly, there may well be longer term possibilities in international trading. Member firms needing to barter overseas could use other members of the Univex exchange either to absorb some of the goods being received, or to supply additional products that are needed to clinch an overseas deal.

Many of Univex's initial members exhibit a mixture of optimism and caution about its future, pointing out that it is still too early to have a clear view of its chances of success. United Technologies, the sixth largest U.S. manufacturing company, has not yet, for example, made use of its membership either to buy or to sell. But Leitz is pushing ahead as an enthusiastic participant.

Leitz, says Hormel, has been both a buyer and a seller through Univex, but its main objective in using the exchange is to achieve extra penetration of the U.S. market which it would not otherwise have made. "Ideally, from our point of view we would like to sell much more than we buy," he says.

Cunard Lines, the U.S. arm of the UK shipping group, is aiming at something rather different in its membership. It is more interested than Leitz in achieving a buying and selling balance, using Univex to fill its own spare capacity.

Allan Riding, senior vice president for finance, adds that the exchange system may prove to be useful from a cash management point of view, since the only up-front money on a transaction is the initial 6 per cent commission. "The only problem is that if you would usually pay cash, you have to be careful not to pay more to purchase through Univex."

Indeed, the financial rationale of Univex is to balance the requirements of companies like Leitz and Cunard—matching some companies which are happy to give extended credit for extra market penetration; against those who would prefer to conserve cash by purchasing through the exchange.